FINANCIAL TIMES

World Business Newspaper

FRIDAY JUNE 16 1995

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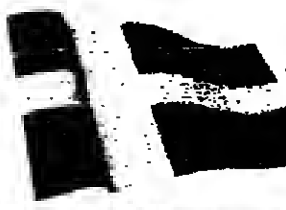

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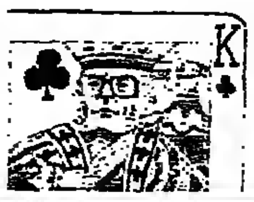

Britain and the EU
Major holds one more card
Philip Stephens, Page 14

TOMORROW'S
Weekend FT
A world overrun by pensioners

Suez and SGB may form joint group to stave off takeover

Suez and its large subsidiary, Société Générale de Belgique, are considering forming a joint company. The move could help the management of the French holding company stave off a takeover from some of its dissatisfied French shareholders. Page 17

HK airport project faces cash crisis: The authority building Hong Kong's new airport is running out of funds and will have to stop letting new contracts if a fresh financing agreement is not reached by late next month. Page 16

15 die in Greek earthquake: An earthquake destroyed two buildings in the port town of Egion in south-west Greece. At least 15 people died and dozens were injured when an apartment building and a hotel collapsed. Page 2

US industrial output falls: US industrial production fell for the third consecutive month in May, making the recent downturn in factory output the longest since the 1990/91 recession, official figures show. Page 4

Spanish group clinches helicopter deal: Gamesa, a little-known engineering and components group based in the Spanish Basque country, secured a deal to supply parts to US helicopter manufacturer Sikorsky which is expected to be worth \$4.5bn over 25 years. Page 4

Japan to bring forward economic plan: Japan is to bring forward its next economic stimulus plan from the autumn to next month in an attempt to strengthen so far inadequate attempts to stave off a second recession. Page 6

Israel says Palestinian deal in sight: Israel said it could reach agreement with Palestinians to extend self-rule by July 1 so long as the Palestinians accepted a two-stage Israeli troop withdrawal from the occupied West Bank. Page 5

Europe's new car sales rise: New car sales rose last month by 0.1 per cent in western Europe year-on-year, enough to maintain a growth rate of 0.2 per cent so far this year. Page 2; UK car output at 17-year high, Page 11

US car dealers fear trade war: US sanctions against Japanese luxury cars could aggravate anti-Japanese sentiment in the US and spill over to affect other Japanese products, US car dealers warned. Page 4

Hungary seeks new IMF loans: Hungary began talks with the International Monetary Fund on an economic reform programme which the government hopes will secure new IMF loans, the first since a Socialist-led coalition took office last July. Page 3

Pechiney may sell US glass unit: French glass and industrial group Saint Gobain may buy Pechiney's glass container business in the US, Pechiney's president Jean-Pierre Rodier said. Page 17

World arms spending 'still falling': Military spending is rising sharply in south and south-east Asia, but continuing to fall in the world as a whole, the Stockholm International Peace Research Institute says. Page 7

C&W raises Israeli telecoms stake: UK telecommunications group Cable and Wireless raised its stake in Bezeq, Israel's state-owned telecommunications company, from 7 to 10 per cent in an attempt to become a strategic partner. Page 27

Merrill Lynch to direct Telefónica offer: US investment bank Merrill Lynch won the mandate to co-ordinate an offering of government shares in Spanish telecommunications operator Telefónica which is expected to raise about \$1.5bn. Page 17

Pakistan's budget worries IMF: Pakistan's annual budget is incompatible with conditions agreed with the International Monetary Fund earlier this year as part of a three-year structural adjustment programme, the IMF representative in Islamabad said. Page 6

China 'risks collapse': China risks disintegration if it does not act to strengthen central government revenues, improve tax collection and formulate a new tax distribution system, a leading researcher warned. Page 6

Winner declared in shopping centre sale: UK property company Capital Shopping Centres emerged as winner of a four-way auction for the MetroCentre in Gateshead, northern England, Europe's largest covered shopping centre. Page 21

Rory Gallagher dies: Irish rock guitarist Rory Gallagher, who sold 14m records over a career lasting 30 years, died in a London hospital, aged 47. He underwent a liver transplant earlier this year.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,498.80	(+6.92)
NASDAQ Composite	901.73	(+6.01)
Europe and Far East		
CAC40	1,920.70	(+27.05)
DAX	closed	
FT-SE 100	3,370.4	(+30.6)
Nikkei	14867.26	(+206.77)

US LUNCHTIME RATES

Federal Funds	$6\frac{1}{8}$%
3-mth Treas Bills: Yld	5.597%
Long Bond	$113\frac{13}{32}$
Yield	6.572%

OTHER RATES

UK: 3-mo Interbank	$6\frac{5}{8}$%	($6\frac{13}{16}$%)
UK: 10 yr Gilt	$102\frac{21}{32}$	($103\frac{1}{32}$)
France: 10 yr OAT	100.24	(100.08)
Germany: 10 yr Bund	closed	
Japan: 10 yr JGB	111.744	(112.154)

NORTH SEA OIL (Argus)

Brent 15-day (Aug)	\$17.605	(17.40)

GOLD

New York: Comex		
(Aug)	\$388.9	(390.6)
London:		
close	\$389.8	(388.0)

DOLLAR

New York: lunchtime		
£	1.5965	
DM	1.408	
FFr	4.9435	
SFr	1.1685	
Y	84.765	
London:		
£	1.5955	(1.6099)
DM	1.4106	(1.3974)
FFr	4.9485	(4.903)
SFr	1.1665	(1.153)
Y	84.805	(84.265)

STERLING

DM	2.2506	(2.2496)
Tokyo close:	Y 84.58	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK\$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S\$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US\$1.50		Es230	Turkey	L55,000
Germany	DM3.50	Lux	LFr70			UAE	Dh12.00

German bank aims to expand in London ■ Target seeks £1bn offer

Dresdner in Kleinwort bid talks

By Nicholas Denton in London and Andrew Fisher in Frankfurt

Britain's Kleinwort Benson said yesterday it was in takeover talks with Dresdner Bank of Germany and prepared to give up its independence as an investment bank. If it did, Kleinwort would follow Morgan Grenfell, Barings and S.G. Warburg into continental European ownership.

Heavy buying of its shares prompted Kleinwort, which traces its origins to 1792, to confirm that Dresdner, Germany's second largest bank, had approached it about a cash offer at about Wednesday's price of 724p, or £966m (\$1.52bn) in all.

Kleinwort was believed to be holding out for 750p per share and a purchase price of £1bn. ABN Amro of the Netherlands and Britain's National Westminster Bank, which have explored acquisitions in UK investment banking, are not considering counter-bids. Kleinwort's share price closed at 719p, down 5p.

Lord Rockley, Kleinwort's chairman, said in a memorandum to staff: "This initiative has come from Dresdner. As a quoted company, we have a requirement on us to look at any serious approach and take into account the interests of all shareholders."

Kleinwort has been a target of takeover speculation since Warburg's abortive talks with Morgan Stanley in December initiated the current wave of acquisitions of UK investment banks. Dresdner and Kleinwort denied in January they were in negotiations, but Kleinwort reviewed its strategy after the collapse of Barings in February and Swiss Bank Corporation's agreed bid for Warburg in May.

These events and the weakening in the US of the division between commercial and investment banks, raised doubts about the viability of stand-alone UK merchant banks.

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Dresdner, which is advised by Robert Fleming, began its "due diligence" examination of Kleinwort at the beginning of this week. Negotiators believe terms will have to be agreed within a fortnight if they are to succeed.

The main discussion now centres on the degree of autonomy Kleinwort would enjoy. Kleinwort enjoyed relatively robust profits in 1994 and believes it is in a position to deal with any overtures from "a position of strength." Both parties are influenced by the model of Deutsche Bank's 1989 takeover of Morgan Grenfell, in which the latter's management and name remained intact for six years.

Lord Rockley wrote yesterday that Kleinwort would pay "particular attention" to the interests of its 3,100 staff. There is little overlap between the two banks.

A successful bid for Kleinwort would leave the UK with only five significant independent investment banks: Schroders, Robert Fleming, Hambros, NM Rothschild and Lazard Brothers.

They moved quickly to dampen speculation that they might also give up their independence.

Mr George Mallinckrodt, president of Schroders, which is advising Kleinwort, said of the bid: "It doesn't in any way influence us and we remain independent. We are rock hard on this." He said: "We need to have a balance in Britain between domestic and foreign banks."

Dresdner's bid reflects a strategy of developing its investment banking presence in London. It stepped up its effort after Deutsche Bank decided to centre its investment banking activities on Morgan Grenfell in London.

Analysts said the move represents a significant acceleration of Dresdner's efforts to grow internationally and reduce its reliance on domestic business which is higher than at Deutsche Bank and Commerzbank.

Through Kleinwort, Dresdner would gain the channels it has lacked to distribute German shares in big foreign markets or to place non-German securities in Germany. Kleinwort would also contribute a corporate finance arm which advised on more cross-border transactions involving UK companies in 1994 than any competitor.

Bosnian talks falter as shelling erupts near Sarajevo

By Harriet Martin in Sarajevo, Jurek Martin in Washington, and Laura Silber in Belgrade

Heavy artillery exchanges broke out north of Sarajevo yesterday and Mr Carl Bildt, the newly appointed European Union mediator, said Bosnia was heading for war rather than peace.

The shelling followed reports from the UN that forces of the Moslem-led government are massing near the capital in a possible preparation to break the 38-month siege of the city by the Bosnian Serbs.

Western governments have warned the Bosnian government not to risk escalating the conflict and to seek a negotiated settlement, with the assistance of Mr Bildt.

Mr Bildt, a former Swedish prime minister whose appointment was seen as a boost for the peace process, gave a very pessimistic assessment in Washington of the Bosnian outlook.

"At the moment, there isn't a political process," he said, adding that it was "a very open question indeed" whether one could get under way. Asked what effect he could have on the situation, Mr Bildt said "that remains to be seen" and added that "at the moment we're heading toward war".

The Bosnian government army's immediate aim seemed to be limited to securing or harassing the road which runs north from Serb positions above Sarajevo to the confrontation lines in the centre of Bosnia.

In Bosnia, a UN spokesman said artillery shells were landing at a rate of five to six rounds a minute near Serb-held Vogosca, a northern suburb of Sarajevo.

Vogosca marks the start of the strategic Serb-controlled road, known by the UN as the Python Route, which leads northwards to Serb positions in the centre of Bosnia.

The head of a radio station in Ilijas, a Serb-held town 20kms north of Sarajevo, said the town had been shelled since the early morning after a Bosnian attack from four directions.

Meanwhile, the Bosnian Serbs

Continued on Page 16

Kohl joins in criticism of Shell dumping plan

Disposal of Brent Spar platform to figure at economic summit

By Judy Dempsey in Berlin, Robert Corzine in London and Ronald van de Krol in Amsterdam

Protests are mounting in Europe over the dumping of the Brent Spar oil platform, now being towed slowly by tugs to a deep-sea disposal site in the Atlantic.

Mr Helmut Kohl, the German chancellor, yesterday criticised Shell, the Anglo/Dutch oil giant which owns the disused North Sea storage platform. The company has already been hit by consumer boycotts led by mainstream German politicians and encouraged by Dutch government ministers and by Greenpeace, the international environmental pressure group.

Mr Kohl said he would raise the controversial issue at the Group of Seven summit, in Halifax, Canada. He and Mr Theo Waigel, finance minister, want to discuss the disposal plan either with all G7 members, or separately with Mr John Major, the British prime minister.

In Halifax yesterday, Mr Kohl obliquely warned Shell of the dangers of persisting with the disposal plan. He said: "If I were a company, I would not do anything which would hurt my business."

Shell is currently towing the Brent Spar to a site in the Atlantic where it will be sunk in about 2,000 metres of water. The disposal will take place in the "next few days", Shell said.

The call for a boycott of Shell products appears to have won some support from German consumers. In Berlin yesterday, a manager of a Shell service station reported a 30 per cent fall in sales this week.

"It's really terrible," said the manager, who asked not to be named. "This is doing terrible damage to my business. The sinking of the oil rig has nothing to do with us Germans. It's the fault of the English," he added.

Officials at Shell's German headquarters in Hamburg said it was too early to assess the impact of the controversy on sales.

Ms Margreeth de Boer, the Netherlands' environment minister, has also supported a consumer boycott. Her colleague, Mr Hans Wijers, economic affairs minister, said he would not mind if his chauffeur stopped for petrol at a station other than Shell.

Shell UK yesterday refused to say whether they have experienced any fall in sales, and defended the deep-sea disposal of the platform, which they argue has been made safe. Environmental groups argue it still poses a danger because of remaining oil sludge and other pollutants.

The UK government is also standing by the plan. Mr Tony Newton, standing in at Commons question time for Mr Major, said the disposal was in line with the UK's international agreements and was "the best practicable environmental option available".

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On guard: US President Bill Clinton (left) is flanked by Canadian Mounties as he arrives at Halifax, Nova Scotia, for the two-day summit of the Group of Seven industrialised countries. Mr Clinton said he was determined to push for Japan's car market to be opened. Picture AP

Clinton maintains hard line in cars dispute with Japan

By Guy de Jonquières and Peter Norman in Halifax

US president Bill Clinton yesterday warned Japan that he was determined to push for the country's car market to be opened, saying "millions of American exports and thousands of American jobs" depended on Washington's success.

Mr Clinton was speaking shortly before leaving Washington for an hour-long meeting here with Mr Tomiichi Murayama, Japan's prime minister, on the eve of the two-day summit of leaders of the Group of Seven industrialised countries. "We meet as friends with some differences," Mr Clinton said.

The tough US line was reinforced by Mr Warren Christopher, US secretary of state. He told Mr Yohei Kono, Japan's foreign minister, that the June 28 date on which Washington will decide whether to impose punitive tariffs on Japanese luxury car imports was "a deadline, not a target or a goal".

However, Mr Christopher, expressed hopes that the two sides could solve the car conflict, as they had settled previous trade disputes. Mr Clinton also stressed the "strong relationship" and co-operation between the US and Japan.

Mr Clinton's remarks appeared intended to limit the political impact of the trade disagreement on US relations with Japan and to prevent it dominating the G7 meeting, which also faces difficult discussions on Bosnia and on France's controversial decision this week to resume testing of nuclear weapons.

Both the US and Japan have discouraged expectations that the meeting between Mr Clinton and Mr Murayama would produce any decisive breakthrough.

France's decision to resume nuclear weapons testing in the Pacific continued to attract condemnation ahead of a working dinner last night of leaders from the US, Japan, Germany, France, Britain, Italy and Canada.

Mr André Ouellet, the Canadian foreign minister, said Canada was "very concerned" about a possible escalation of testing if other countries followed France's example.

Mr Ouellet also expressed concern that the Franco-British plan to create a rapid reaction force could contribute to an escalation of the crisis in Bosnia.

He recalled that Mr Jean Chrétien, the Canadian prime minister, was reluctant to see the UN peacekeeping mission transformed into a mission to impose peace.

Meanwhile, Japanese government officials signalled that they would be seeking "a clear sign of co-operation" among the G7 to curb currency turbulence.

However, it appeared unlikely that the meeting would decide any significant policy change with the aim of promoting stable exchange rates. As a result of discussions among the "sherpas", the officials who prepare the summit, Canada has dropped the idea of putting a tax on currency transactions on the agenda.

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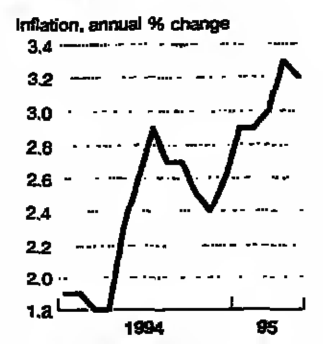
Central bank of Sweden backs Emu

By Hugh Carnegy in Stockholm



Source: Datastream

The Riksbank, Sweden's central bank, said yesterday Sweden should join the European Union's planned Economic and Monetary Union (Emu), saying it offered "overriding advantages" for the economy.

"The economic policy which enables Sweden to participate in Emu is essentially the same as the policy that is needed for a lasting recovery in the Swedish economy after the decline in recent years," the Riksbank said in its first public statement on the issue.

The bank's unequivocal stance contrasts with the cautious approach to Emu being taken by the Social Democratic government in the face of deep scepticism within the party and among the public at large over Sweden's entry to the EU at the beginning of this year.

An opinion poll published yesterday by the central statistics bureau - drawn from an unusually large sample of more than 7,400 voters - suggested 61.9 per cent of voters would reject joining the EU if a new referendum were held, with only 28.6 per cent in favour. In last November's plebiscite, Swedish membership was clinched by a majority Yes vote of 52.2 per cent to 46.9 per cent.

Mr Ingvar Carlsson, the prime minister, and Mr Göran Persson, the finance minister, have both indicated they favour joining the third and final stage of Emu, including the forging of a single European currency. But they have been careful to stress that the decision will ultimately be made by parliament, where there is certain to be significant opposition.

Mr Thomas Franzen, the deputy governor of the Riksbank, said the criteria set for participation in Emu - balanced public finances, controlled public debt, low inflation, low interest rates and currency stability - were needed irrespective of whether Sweden joined.

But he added that the industrial character and openness of the economy - and its susceptibility to external shocks - meant it would benefit from Emu membership at an early stage. The bank said economic policy should be designed to enable Sweden to join in 1999 - the likely earliest date for Emu implementation.

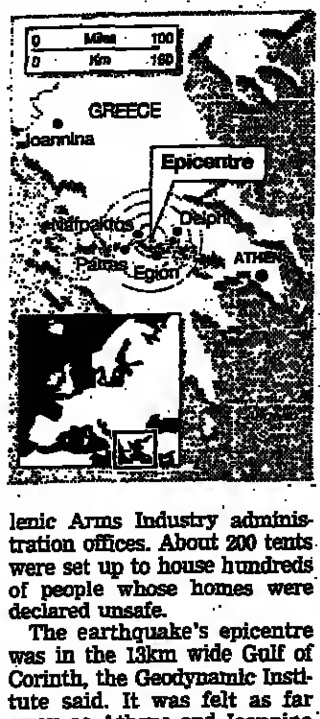
Earlier this week, the government presented its Emu "convergence programme". Despite the big recent budget deficits and fast-growing public debt, the plan envisages meeting the criteria by 1998, when the deficit will be eliminated through a tough programme of spending cuts and tax increases. Although debt levels will remain well above the levels specified for Emu entry, the government believes Brussels will waive the condition on the grounds that the debt is declining.

The Riksbank yesterday reiterated its commitment to an inflation target of not more than 3 per cent. Latest figures showed consumer prices rising 3.2 per cent year on year in May, down slightly from 3.3 per cent in April, but still above the Riksbank's upper limits.

Quake in Greece kills at least 15

By Our Foreign Staff and agencies


Protected from further injury by a rescuer's helmet, a tourist waits to be pulled from the debris AP



An earthquake destroyed two buildings in the port town of Egion in south-west Greece yesterday, killing at least 15 people and injuring dozens more when an apartment building and a hotel collapsed.

Most of the dead were pulled out of the apartment building, which "collapsed like a house of cards", police said.

Five French nationals, including a family of three, were found dead under the debris of a wing of the hotel Eliki, near the town, 145km west of Athens, where 159 French tourists were spending their holidays.

The French embassy in Athens said 152 of its nationals had been accounted for, including the dead, leaving seven missing presumed to be still buried under the hotel rubble.

Ten people were reported to have died in the apartment building, including a 20-year-old Italian woman and three children. Up to 10 people were yesterday still missing, the Public Order Ministry said.

It said 59 people were taken to hospital with serious injuries, while dozens of others received emergency treatment. Within an hour of the tremor, military units from Athens and in the region rushed in medical and rescue teams here. French and Swiss rescue specialists with sniffer dogs arrived yesterday to help Greek teams.

The quake, which measured 6.1 on the Richter scale, and damaged more than 500 buildings in the region, struck at about 3.15am, local time. "Everything collapsed in five seconds," said a French worker at tha Eliki hotel, built in 1973 and renovated in 1990.

Guests huddled silently outside, many draped in blankets and wearing pyjamas, as they watched rescue workers. The bodies of Joel Gras, 40, Catrin Thieberge, 37 and their five-year-old child Heloise Gras were dug out of the ruins of the hotel. The body of French woman, Sylvie Erba, 35, was also recovered.

At the residential building, bulldozers and cranes yesterday shifted large slabs of concrete but workers said tha work was going very slowly and they feared few of those trapped would survive.

Mrs Eleni Seriato, 31, who lived on the third floor of the block, escaped with her eight-year-old son but her husband and 11-year-old son were trapped inside. "My husband was behind me when we were trying to escape. A piece of mortar fell on him and he was trapped," she said. The ministry later said her son was dead.

Egion, a small port on the Gulf, is in an area of frequent seismic activity. Power and phone lines were down in many parts of Egion and officials were communicating through mobile phones.

Public works ministry officials declared about 500 buildings uninhabitable because of cracks and collapsed walls, including the state-owned Hellenic Arms Industry administration offices. About 200 tents were set up to house hundreds of people whose homes were declared unsafe.

The earthquake's epicentre was in the 13km wide Gulf of Corinth, the Geodynamic Institute said. It was felt as far away as Athens and Ioannina near the Albanian border, and shattered windows and damaged hundreds of homes from the western port of Patras to the tourist village of Delphi, across the Gulf. A quake of magnitude 6 can cause serious damage in populated areas.

Greece has been shaken by a series of recent earthquakes. More than 8,000 people are living in tents in the central Kozani region after a quake measuring 6.6 on the Richter scale last month. No one was killed but 25 people were injured.

Rightwing MEPs size each other up for new alliance

By Caroline Southey in Strasbourg

An elaborate mating dance is being played out in the European parliament between Christian Democrats and rightwing parties which could lead to the formation of an alliance to rival the dominant socialist bloc.

Leading centre-right MEPs are beginning to raise the possibility that a new bloc could be formed if the parliament's second largest group, the Christian Democrat European People's Party (EPP), joined forces with the French Gaullist and Italian Forza Europa MEPs.

The parliament's socialist and social democratic parties, led by Ms Pauline Green, command a 221-strong bloc followed by the 173-strong EPP. The EPP numbers could climb to 216 if bolstered by the 29 Forza MEPs and 14 Gaullist MEPs.

The moves have taken on a new urgency because of efforts by Forza Europa over the past few months to form a mini-alliance of conservative parties, including the Gaullists and Irish Fianna Fail members. This mini-alliance, if successful, would be just one of many the problems standing in the way of a grand centre-right alliance.

The larger EPP bloc could threaten the present cosy relationship in the Strasbourg-based parliament between the Christian Democrat group and the socialists which contributes to a relatively smooth decision-making process.

The European parliament remains a largely consultative body with powers to block rather than initiate legislation, although it is beginning to accrue greater powers.

Its main role lies in areas of "co-decision" on legislation with the European Council (EU heads of government), under which, in some limited areas of policy, it has final say.

The challenge facing the EPP is whether it can overcome its historical antagonism to accepting non-Christian Democrat parties into its ranks although it has, to some extent, already abandoned this puritanism by taking in Danish, Swedish and Finnish conservatives.

"Parties must agree to our basic principles and programme - greater European integration and a sound balance between civil liberties and social responsibility," said Mr Klaus Welle, secretary general of the EPP.

But casting the net wider carries political risks. Mr Wilfried Martens, president of the EPP, said it was not just a case of raising numbers. "We are happy in our group. We have some dissension, but we have the same attitude and agree 95 per cent of the time. This is more important than being the largest group and being divided," he said.

The project's outcome also rests on political decisions in France and Italy which will determine the behaviour of Gaullist and Forza MEPs.

French President Jacques Chirac has not clarified whether he intends to deepen France's relationship with Germany to build a more integrated Europe or whether he prefers the more flexible Europe favoured by London. One sign that Mr Chirac was moving towards Germany would be if he delivered the Gaullist MEPs to the Christian Democrat camp.

Forza Europa MEPs are waiting for a signal from Mr Silvio Berlusconi.

"If there is an evolution. If Mr Chirac and Mr Kohl have a good understanding on Europe and the same happens with Italy. Then in theory you have the possibility," Mr Martens said.

Mr Edward McMillan-Scott, UK Conservative MEP, said he would welcome any strengthening of the centre-right that would provide a balance for the large socialist group. "We would be glad to see the Gaullists and Forza in the EPP," he said.

Forza Europa's efforts to join up with the 26-strong RDE group which includes the Gaullist MEPs and Ireland's Fianna Fail are, by some accounts, close to fruition. Forza's aim is to forge a group big enough to displace the liberal bloc as the third largest group in the parliament.

This status would deliver a greater share of the parliament's spoils which are allocated on a proportional basis, including the right to more money, more staff, more debating time and greater preference in the allocation of committee presidents.

Sarajevo hopes relief may be at hand

By Harriet Martin in Sarajevo

As heavy fighting erupted north of Sarajevo, the Moslem-led Bosnian government yesterday imposed strict security precautions amid rising hopes among the people that their army is about to break the three-year siege.

Bosnian radio interrupted its regular programming yesterday to announce the entire country had been placed on a general alert. It later reported that curfew hours had been tightened to run from 9pm to 6am daily.

Police circulated through the centre of Sarajevo during the morning ordering businessmen to close their shops and warning people to stay off the streets. Bosnian soldiers also closed all checkpoints in and out of the city just before noon, including the steep mountain track over Mount Igman which is the city's only remaining link to the outside world.

Yesterday morning the army retrieved a tank and two heavy guns from a United Nations weapons collection point in the city.

For more than three weeks, since the Nato air strikes, the city has been without water, power or food deliveries.

Mubera Tafro, a schoolteacher in her 40s, said: "After 38 months without food, water, electricity or gas, everyone's hoping this time they are going to break the siege."

Her son Vedo, 20, who joined the army when he was 17 and is one of only four surviving members of his unit of 26 said: "Everyone in Sarajevo knows more young men will die in this battle. That is the price we have to pay to liberate the city.... People die here every day from shelling and sniping. Lifting the siege is the only way we will stop that."

The artillery and infantry battles north of the city are believed by many to be a possible prelude to an all-out offensive. Aida Cavdar, 21, said: "If it's going to happen, it will happen in the next seven to 10 days. It's not just that the Bosnian army is better equipped. It's that morale is really high."

In spite of the arms embargo, many nations have been prepared to break it. The army, which began the war sharing rifles and wearing plimsoles, is now much better trained and equipped. Ms Cavdar said: "At the start of the war the army defended Sarajevo with pistols, hunting rifles and mortars made from drain pipes. Now it's much stronger. I really believe they can do it." But the civilians are also aware that a big government offensive, will bring Serb retaliation in the form of indiscriminate shelling of the city.

Brussels criticises levels of harmonisation

EU's single market has 'serious problems'

By Emma Tucker in Brussels

Much more needs to be done to make Europe's single market a reality and the jury is still out on its overall economic impact, the European Commission said yesterday.

In its annual assessment of the border-free, internal market, considered to be one of the EU's greatest achievements, the Commission said "serious problems" were stemming from the failure of member states to implement single market laws, to apply them correctly, and to punish offenders adequately.

The different interpretations at a national level of "harmonisation" rules - designed to allow goods to flow freely within the EU - and the persistence of technical barriers to trade for those goods which have not been harmonised, are among the biggest hindrances.

"A lot remains to be done to get the single market in place," said a Commission official. "There is often a clear distinction between an agreement within the council of ministers and implementation of that agreement on the ground."

But the news was not all bad. The report pointed out that the elimination of border controls for goods had sharply reduced costs and delivery times. Furthermore, the gradual prising open of the public procurement market had allowed many companies to win contracts, in spite of severe delays from certain member states in putting the legislation in place.

The Commission, which drew on many sources including its own surveys, reports from national industry ministries, trade unions and consumer organisations, said gaps inhibiting the development of a truly single market included: the continued existence of border controls on people; the absence of tax harmonisation in certain fields; insufficient liberalisation of some sectors, notably energy and telecommunications; and delays in adapting company law to the single market's requirements.

The official stressed, however, the desire of Brussels to tread carefully. Harmonisation could only be carried out to a degree that was "politically acceptable" to member states.

The Commission is hoping to get a clearer picture of where the market is failing to work following an agreement by EU states to notify Brussels of all instances where products and services are refused entry by one member state from another. However, this will not come into force until the beginning of 1997.

The report showed France to be the country most likely to erect barriers to trade. Last year, the Commission received 53 complaints from companies and individuals whose products were rejected in France - usually by local inspectors. Ireland and Luxembourg appear to be the most open, being the subject of only one and two complaints respectively.

The Commission said penalties for infringements - a matter for the member states - were being applied unevenly and had in some cases prompted Brussels to take action.

For example, it had taken Germany to court for its refusal to apply a law requiring small companies to publish their accounts.

However, it said there was little evidence to suggest that companies were setting up in countries where they thought they would get off more lightly for disobeying the rules.

West Europe car sales up

By Haig Simonian, Motor Industry Correspondent

New car sales rose last month by 0.1 per cent in western Europe year-on-year, just enough to maintain a growth rate of 0.2 per cent so far this year. This is below many manufacturers' expectations but better than they feared.

The strongest growth last month came in Germany, Europe's biggest car market, where sales climbed by 4.5 per cent to 319,000. The UK registered an increase of 1.7 per cent to 152,700.

However, France, Italy and Spain, Europe's other leading car markets, all reported falls, reinforcing concern that the west European market will not prove as resilient this year as many manufacturers hoped.

Sales dropped by 9.5 per cent in Spain and by 4.3 per cent in France year-on-year.

Industry observers believe that the French market is softening ahead of the expected termination at the end of this month of a government incentive scheme introduced last year.

The fall in the French market means the gap between it and the UK and Italy, respectively Europe's second and third biggest car markets, has widened, making it more difficult for Peugeot-Citroën and Renault, the two indigenous manufacturers, to maintain their positions in the European league table this year.

Overall, sales rose in eight, fell in six and remained unchanged in three of the 17 markets tracked by Acea, the European Automobile Manufacturers' Association, which produces the preliminary sales figures.

Among the leading manufacturers, the Volkswagen group rainforced its position as Europe's foremost producer with a 11.7 per cent year-on-year rise in sales last month, taking its May market share to to 17.8 per cent.

VW has struggled to keep up with buoyant demand across Europe for its new Polo compact car, while sales by its Audi executive cars subsidiary have also been very successful on the back of new models. Audi sales soared by more than 45 per cent year-on-year last month to 36,500 units.

The General Motors group also strengthened its position as Europe's second biggest manufacturer thanks to a 4.8 per cent rise in May sales, taking its market share for the month to 13.7 per cent.

French marques fared less well. Sales of Peugeot-Citroën dropped by 5.9 per cent year-on-year in May, while its rival Renault registered a 10.4 per cent fall. Japanese manufacturers marginally consolidated their opposition last month, with an overall rise of 3.2 per cent year-on-year.

Within the Japanese camp, Mitsubishi, which is gearing up to launch its Carisma model - which is manufactured in the Netherlands - across Europe later this year, registered a 13.2 per cent increase in its sales.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-May 1995

	Volume (Units)	Volume Change(%)	Share (%) Jan-May 95	Share (%) Jan-May 94
TOTAL MARKET	5,372,700	+0.2	100.0	100.0
MANUFACTURERS:				
Volkswagen group	885,944	+1.2	16.5	16.3
- Volkswagen	572,581	-0.4	10.7	10.7
- Seat	121,666	-12.0	2.3	2.8
- Audi	185,828	+21.2	3.1	2.6
- Skoda*	26,419	+1.5	0.5	0.5
General Motors#	714,552	+3.3	13.3	12.9
- Opel/Vauxhall	682,675	+3.5	12.7	12.3
- Saab**	26,158	+14.0	0.5	0.4
Ford group#	648,238	+0.5	12.1	12.0
- Ford	641,147	+0.2	11.9	11.8
- Jaguar	7,091	+39.3	0.1	0.1
PSA Peugeot Citroen	645,133	-5.1	12.0	12.7
- Peugeot	381,392	-6.6	7.1	7.6
- Citroen	263,741	-2.8	4.9	5.1
Fiat group##	616,218	+6.4	11.5	10.8
- Fiat	483,169	+7.3	9.0	8.4
- Lancia	70,279	-5.3	1.3	1.4
- Alfa Romeo	52,247	+8.3	1.0	0.9
Renault	566,314	-0.7	10.5	10.6
BMW group	321,269	-3.7	6.0	6.2
- Rover	146,169	-11.9	2.7	3.1
- BMW	175,100	+4.5	3.3	3.1
Mercedes-Benz	178,249	-7.2	3.3	3.6
Nissan	153,670	-13.6	2.9	3.3
Toyota	139,071	-2.2	2.6	2.7
Volvo	102,295	+13.8	1.9	1.7
Mazda	82,317	-8.7	1.5	1.6
Honda	80,530	+12.0	1.5	1.3
Mitsubishi	56,523	+5.5	1.1	1.0
Total Japanese	580,716	-2.6	10.8	11.1
MARKETS:				
Germany	1,464,800	+0.4	27.3	27.2
United Kingdom	816,800	-0.6	15.2	15.3
Italy	815,700	+0.5	15.2	15.1
France	812,500	+1.2	15.1	15.0
Spain	360,100	+0.5	6.7	6.7

*VW holds 31 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

All out to save Marseilles from the right

By Andrew Jack in Marseilles

Someone walking through the streets of Marseilles yesterday morning might have been forgiven for thinking that Mr Bernard Tapie was running as a candidate for mayor in the second round of municipal elections on Sunday.

Looking bronzed and cheerful, the businessman and politician - who has bankruptcy and bribery convictions which, if he fails in his appeal, would bar him from running for office - left in the shade the man he was supporting, Mr Lucien Weygand, the Socialist party contestant.

As Mr Tapie dived enthusiastically into every available bar to shake hands, slap backs and joke with largely friendly crowds before briskly moving on, Mr Weygand hovered awkwardly nearby, occasionally getting entangled in lengthy conversations with voters.

While Mr Weygand, currently leader of the local council, is no great friend of Mr Tapie, the left has been soliciting help wherever possible in an effort to save France's second largest city from falling to the right as France prepares to go to the polls in the second round of local elections across the country.

Last night, Mr Lionel Jospin and Mr Robert Hue, respectively the Socialist and Communist candidates in the presidential race earlier this year, were in town to lend their support.

Mr Weygand has teamed up with Mr Guy Hermier, the dapper Communist candidate who has a doctorate in the poetry of the French Resistance. Since the first round of voting he has also gained the endorsement of several minority candidates.

But nothing is simple in Marseilles. Dr Robert Vigouroux, the incumbent who has decided not to stand again, has changed his politicalallegiances. Once the doctor of Mr Gaston Defferre, the veteran Socialist who ran the city for 33 years, he managed to succeed Mr Defferre as the socialist candidate when he died in mid-term in 1986.

> Mr Tapie dived enthusiastically into every available bar to shake hands, slap backs and joke with largely friendly crowds

Re-elected in 1989, Dr Vigouroux is seen by many as being an effective manager of the city who brought its debt under control and launched a range of social and economic development programmes.

Yet he has managed to alienate his former allies without building up an alternative political base. He endorsed Mr Edouard Balladur, the former prime minister in the presidential race, and came out in favour of Mr Jean-Claude Gandin, the Republican head of the regional council, when it became clear that he would not be re-elected if he ran again.

Judging by the outcome of the first round of voting in Marseilles last Sunday, Mr Gandin's populist rhetoric will bring him victory. He gathered 36 per cent of the vote, against Mr Weygand's 29 per cent.

According to Mr Jean Viard, a political scientist specialising in the city, this partly reflects Mr Gandin's charisma, but is mainly the result of a country-wide resurgence of the right characterised by increasingly nationalistic beliefs.

This same current of opinion has also benefited the extreme rightwing National Front, which gained 22 per cent of the vote last Sunday in Marseilles and so will also be in the run-off this weekend.

But to see the power of the National Front, which performed strongly in the first round in many parts of the country, it is necessary to travel a few miles north.

Vitrolles, an unprepossessing new town with high unemployment, may soon become the first municipality of any significant size to acquire a National Front mayor.

Mr Bruno Mégret, number two in the party, polled 43 per cent in the first round against 28 per cent for the Socialist incumbent.

Mr Viard says this reflects Mr Mégret's groundwork over five years of campaigning locally as well as the fragility of the town's social structure. "It is a new town with no identity," he says. All that has been intensified by the economic difficulties of the region.

Yet in an important gesture this week, the local handball team - national and European champions - which is run by Mr Tapie's brother, threatened to leave the town if Mr Mégret won.

The left will not go down without a colourful fight.

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Rightwing MEPs size each other up for new alliance

By Caroline Southey in Strasbourg

EUROPEAN NEWS DIGEST

Vote paves way for Russian poll

The biggest obstacle to December parliamentary elections in Russia was removed yesterday when the upper house of parliament approved a controversial election law regulating elections to the Duma, the lower house. A conflict between the president and parliament over the legislation had threatened to derail the scheduled ballot, but a compromise draft was overwhelmingly passed. Mr Boris Yeltsin, Russian president, is expected to sign the bill into law next week. Both houses of parliament and the president must still approve a bill regulating elections to the Federation Council, the upper house. Mr Vladimir Shumeiko, speaker of the upper house, said the vote was a triumph for Russian democracy.

The main stumbling block to the law, which was rejected by the Federation Council on Wednesday, had been Mr Yeltsin's insistence that the number of candidates elected according to party lists be reduced. Political analysts say well-organised parties with a populist message, such as the communists and extreme nationalists, benefit most from such lists. After negotiations, Mr Yeltsin dropped his opposition to party lists, while parliament abandoned its insistence that government officials should resign from their state jobs in order to run for seats in the legislature. *Chrystia Freeland, Moscow*

Hungary starts IMF talks

Hungarian officials yesterday began talks with the International Monetary Fund on an economic reform programme which the government hopes will secure new IMF loans, the first since a Socialist-led coalition took office last July. The government sees a fresh IMF standby agreement as an important step in restoring international confidence in the country's market-led reforms. It also needs an IMF deal to bolster its position at home in the wake of an unpopular austerity programme, which cut Ft165bn ($1.35bn) from government spending this year.

The talks are due to focus on next year's budget and economic targets, partly because there is doubt whether they will be met, in spite of the austerity package. In this year's budget, the government provided for privatisation revenue of Ft150bn but has yet to sell off a single large company. Independent analysts believe consumer price inflation could exceed 31 per cent this year, well above the initial target of 22-25 per cent. *Virginia Marsh, Budapest*

Magistrates question Romiti

Italian magistrates investigating suspicions of false accounting at carmaker Fiat yesterday questioned Mr Cesare Romiti (left), the group managing director, judicial sources said. The investigations stem from a report delivered by Mr Romiti to magistrates two years ago in which he admitted that the car group had paid kickbacks in the past to political parties. But Mr Romiti said at the time that he learned of the payments only after the eruption of Italy's graft scandals in 1992. Magistrates suspect balance sheets may have been falsified because the funds used for the kickbacks do not appear in the company's accounts. Mr Romiti is also under investigation in a case involving alleged slush funds at the group. *Reuter, Turin*

Norwegian fears over shipping

Norway's rejection of European Union membership last November meant it had less opportunity than ever to influence EU shipping policy, a senior executive at Finland's Kvaerner Masa-Yards, said yesterday. Norway is estimated to be the second largest shipping nation in Europe and fourth largest in the world. About 50 per cent of its shipowners' gross income is derived from business involving EU countries.

Mr Martin Saarikangas, chief executive officer of Masa-Yards, Europe's biggest shipyard and a member of the Oslo-based Kvaerner group, warned in a speech read to the Nor-Shipping conference in Oslo, that Norway could only "partly" rely on Finland and Sweden for support in Brussels, in spite of a tradition of co-operation. Norwegian shipowners also could not count on participating in the liberalisation of south European coastal trades. *Karen Fossli, Oslo*

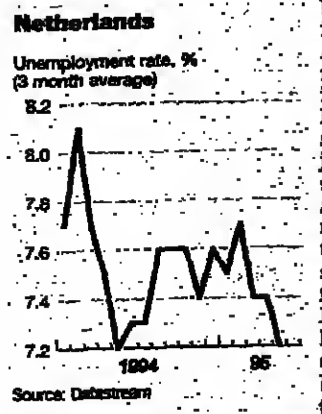
SAS strike worries Norsk Hydro

Norsk Hydro, Norway's biggest listed company, said yesterday a series of strikes at Scandinavian Airlines System could affect its co-operation with the carrier. Air traffic around Scandinavia was paralysed for the third day in a week on Wednesday when SAS pilots went on strike over pay. The walkouts are set to continue, with Norwegian SAS pilots saying they will strike on June 28 as part of a pay dispute. Danish pilots announced a new 24-hour strike for June 26. In Stockholm, SAS said negotiations with the three Scandinavian pilots' unions had resumed yesterday afternoon.

Mr Niels Schweigaard, head of travel management at Hydro, said the industry conglomerate would raise the strike issue when its co-operation agreement with SAS was up for renegotiation later this year. "The SAS management will have to fix the problems or face consequences in the content of our agreement," he said. But he said that Hydro, which buys more than NKr100m ($16m) worth of SAS tickets a year, would hardly consider scrapping the agreement given SAS's dominant position in the region. *Reuter, Oslo*

ECONOMIC WATCH

Dutch recovery no spur to jobs



Dutch unemployment improved only slightly in April, confirming the view that the continued improvement in the economy has yet to be translated into a significant further decline in jobless numbers. The central statistical office said that an average of 472,000 people were registered as unemployed in the March-May period after seasonal adjustments, up from 468,000 in February-April. The March-May figure, which is equivalent to "April" in the Netherlands' system of three-month rolling averages, was lower than the 490,000 people registered in March-May 1994, but the decline is due almost entirely to a sharp improvement which emerged in the second quarter of 1994. Since then, little further progress has been made. The latest seasonally-adjusted figure is equivalent to an unemployment rate of 7.2 per cent, compared with 7.5 per cent in the same period of 1994. Unemployment among women rose to 8.2 per cent from 8 per cent a year earlier, but male unemployment fell to 6.6 per cent from 7.1 per cent.

Dutch jobless numbers have been swollen by the increasing number of women seeking to enter the labour market, as well as by family reunification among former "guest workers" from the Mediterranean and North Africa. *Ronald van de Krol, Amsterdam.*

■ Finland's industrial output in April rose 8.6 per cent from a year earlier, the central statistical office said. In March, the 12-month increase was 12.9 per cent.

Alitalia plans grounded by pilot protests

Passengers face wildcat strikes as management moves to US-style restructuring provoke fierce opposition, writes **Andrew Hill in Milan**

She waited a century for it, but Mrs Emilia Roman has at last had an authentic Italian airline experience.

Mrs Roman was given a free maiden flight by Alitalia to celebrate her 100th birthday. It ended on Thursday with a six-hour wait in the departure lounge of Rome's Fiumicino airport, while a wildcat strike by pilots delayed her return flight to Venice. "It seems it's really my destiny to wait," she told Italian reporters.

Yesterday, Mrs Roman's destiny was shared by thousands of other passengers, as pilots continued their unofficial action in protest at Alitalia's restructuring plans. By lunchtime, Alitalia said more than half its flights out of Rome had been cancelled, with repercussions across the route network.

Meanwhile, after more than six months in which nothing much has happened to break the deadlock between pilots and management, the main protagonists in the dispute were moving fast to find someone else to blame for the chaos.

Alitalia struck first with a half-page advertisement in Italy's main daily newspapers yesterday, warning of further disruption because of "illegal protests by pilots", whom it had earlier accused of holding passengers hostage.

Mr Giovanni Caravale, transport minister, then "ordered" the airline to come up with a programme of guaranteed minimum services, and the pilots to "abstain from any form of collective protest". He even fired off a letter to the hapless health minister, urging him to investigate the mystery illness used by many of the pilots to justify their refusal to fly.

But behind the bickering in the cockpit lies a real fear on the part of ministers, managers and unions, that they could all lose out if they fail to pull the long-running Alitalia dispute out of its latest nose-dive.

At issue is the ambitious restructuring plan introduced by Mr Renato Riverso and Mr Roberto Schisano last year when they were brought in as respectively chairman and chief executive of the loss-making carrier. The aim was to cut operational costs by 12 per cent and personnel costs by 20 per cent in time for full liberalisation of the European airline sector in 1997.

Mr Schisano, who learned US-style management during 20 years working for Texas Instruments, has cut staff, merged the domestic carrier Ati with the main group, and – most unpopular of all – leased aircraft from Ansett of Australia, complete with crew and cabin staff, to improve Alitalia's competitiveness on the Italy-North America routes.

Group results for 1994 showed the plan was beginning to have an impact. Net losses fell to L258bn ($175m) from L344bn and losses before extraordinary items were cut to L175bn, against L431bn in 1993.

From the outset, however, the restructuring plan provoked strong opposition from staff and triggered a series of strikes. According to Mr Schisano, each 24-hour stoppage costs the airline some L30bn to L40bn, although he is almost equally concerned about the damage to Alitalia's image.

In the short term, this is where the latest action hurts the most. Until Thursday, pilots generally observed Italian rules which require transport workers to notify industrial action 10 days in advance and guarantee minimum services. Passengers had time to change their plans, even if the action was often called off at the last moment.

The wildcat strikes, by contrast, have grounded thousands unexpectedly, just as Alitalia is gearing up for what promises to be a busy tourist season, and promoting "Magnifica", its new premium service. The airline has already started legal action against the pilots, but the long-term impact of continued strikes could be even more damaging.

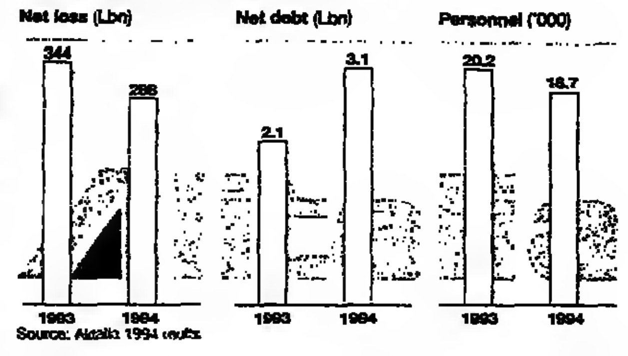
Strengthened by last weekend's referendum results, right-wing politicians may use the unresolved dispute as a weapon with which to beat Mr Lamberto Dini's government. Right-wing deputies have already called for the resignation of Mr Caravale for his failure to mediate successfully between the parties.

Italy's main union confederations have also attacked the pilots' action. The referendum results dented their traditional control over workers' representation, and CGIL, one of the three main confederations, warned yesterday that wildcat strikes could be "the first worrying sign" of what happens when small workers' groups take the initiative from unions.

Unlike Mrs Roman, Alitalia cannot afford to wait long for a solution. Mr Schisano has indicated that if his plans for Alitalia cannot be pushed through by the end of this year, the airline may have to downgrade its ambition to compete internationally after 1997.

The role of Mr Cesare Previti as defence minister in Italy's previous government headed by Mr Silvio Berlusconi was strongly criticised yesterday by an ex-cabinet colleague, writes Robert Graham in Rome. Apart from occupying the defence portfolio, Mr Previti usurped the role of justice minister, according to Mr Roberto Maroni, then interior minister and deputy for the Northern League. In an interview with the magazine Panorama, he claimed Mr Previti was present on all key judicial discussions even when restricted and on occasions vetoed decisions. "One had the clear impression that he was effectively the justice minister," he was quoted as saying.

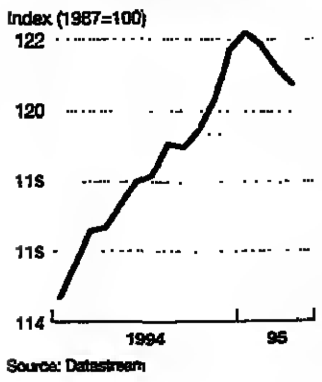
This is the most outspoken criticism yet directed by one former member of the Berlusconi government against another. Mr Previti has come under increasing scrutiny in the media for his alleged role in seeking to undermine Mr Antonio Di Pietro, the best known Milan anti-corruption judge. The same magazine last week alleged Mr Previti had encouraged the denunciation of Mr Di Pietro by a Milan businessman in the wake of Mr Berlusconi being told he was under investigation for corruption. Mr Previti denied the allegation and threatened libel proceedings against Panorama.



NEWS: THE AMERICAS

US industrial output falls for third month

US industrial production



Source: Datastream

By Michael Prowse in Washington

US industrial production fell for the third consecutive month in May, making the recent downturn in factory output the longest since the 1990-91 recession, figures indicated yesterday.

The Federal Reserve said that industrial output fell 0.2 per cent last month, following declines of 0.5 per cent in April and 0.2 per cent in March. The weakness last month was concentrated in the car industry, where output dropped nearly 4 per cent from April. Excluding cars, production was flat.

Manufacturing output fell 0.3 per cent in May to register its fourth consecutive monthly decline.

The production decline was less steep than expected: most Wall Strset economists had forecast a drop of about 0.4 per cent. But it may not indicate a bottoming out of production because more recent data released yesterday pointed to further industrial weakness this month.

The Federal Reserve Bank of Philadelphia said that its index of manufacturing activity fell sharply in June from an already depressed level in May.

Yesterday's figures also showed a sharp drop in the rate of industrial capacity utilisation from 84.2 per cent in April to 83.7 per cent last month, the lowest level in more than a year. This drop is likely to be welcomed by Fed policy makers as a sign that upward pressure on inflation is easing.

"My view is that a fully-fledged recession is unlikely," said Mr Robert Dederick, economic consultant to Northern Trust, the mid-west bank. But he added that data released so far did not yet resolve the issue of whether the US was heading for a soft or hard landing.

The Fed was likely to shift a policy directive with a "bias toward easing" at its next policy meeting in early July, leaving it scope to cut short-term rates if incoming data remained weak, he said.

In recent public comments Mr Alan Greenspan, the Fed chairman, has signalled his belief that the economy is going through a sluggish patch, reflecting attempts by companies to reduce excessive levels of inventories, or stocks of unsold goods.

But the view on Wall Street is increasingly that the Fed will ease monetary policy next month or in August, even if it does not expect an imminent recession, in order to sustain economic growth.

In previous business cycles the Federal Reserve has cut interest rates in response to sluggish growth during periods when a recession seemed unlikely.

Chile suffers from too much of a good thing

The Chilean economy is getting too much of a good thing. It is receiving more foreign exchange than it knows what to do with.

As the funds flow in, the Chilean peso broke through 370 to the dollar last week, a 9.5 per cent revaluation since early April, shrugging off the effects of Mexico's financial crisis. Taking into account the inflation differential with the US, the currency has appreciated some 20 per cent in real terms in the past year.

Foreign exchange reserves now top $15bn (£9.5bn), equivalent to more than 18 months of imports and up more than $1.5bn since the end of the year. Local manufacturers and farmers, facing competition from cheap imports and finding exporting hard going, are clamouring for government action to weaken the exchange rate.

But the government is in a bind. Restrictions on short-term capital inflows may have eased the problem, they have not resolved it. The inflows are potentially inflationary, encouraging the central bank to keep interest rates high to slow economic activity. This merely serves to encourage more capital inflows.

Attracted by the country's solid economic management, including a long-standing budget surplus, foreign direct investment also continues to pour in. Mr Alvaro Garcia, economy minister, expects foreign direct investment this year to reach $5bn. Last year it was $4bn, equivalent to 9 per cent of gross domestic product.

Chile's possible entry into the North American Free Trade Agreement, now being negotiated, and an expected upward revision soon in its debt rating by at least one of the US rating agencies are fuelling investor enthusiasm.

Prices for many of the country's raw material exports have been rising sharply as commodity prices boom. This adds up to a big trade surplus this year and the likely disappearance of the current account deficit which has in past years swallowed up some of the foreign exchange inflows.

> **'We are more interested in promoting the exit of capital than stopping it from coming in'**

According to Mr Juan Villarzú, head of the state mining corporation Codelco, mining will by the turn of the century once more account for half the country's exports. Thanks to private investment, Chile is projected to be producing 42 per cent of the world's copper outside the former Soviet Union countries, which in any case are not likely to be important exporters.

Some Chileans are worried that so strong is the country's position in minerals that it will suffer its own version of the "Dutch disease" that results from one extremely profitable sector (in the Dutch case oil and gas) overshadowing the economy. Mr Sergio Bitar, a left-wing senator and member of the governing coalition, thinks mining could be profitable at an exchange rate of 150 to the dollar "but the rest of the economy needs 400-450".

Government officials say part of the peso's strength arises out of the dollar's weakness, and more than 60 per cent of the country's exports head towards Asia and Europe which are unaffected by peso strength against a weak dollar. They say manufacturing exports continue to increase – though profit margins are being squeezed. Furthermore, the future most likely source of growth in the economy will be mainly through commodities and services, not so hurt by a strong exchange rate.

Mr García says Chilean companies are also being actively encouraged by the government to invest outside the country, for example, in Brazil's privatisation programme.

However this has had little impact, say economists, because returns in the Chilean market are so high. One economist – Mr Joaquín Vial, a former government official who heads the economic consultancy Cieplan – says a less conventional "heterodox" approach is needed.

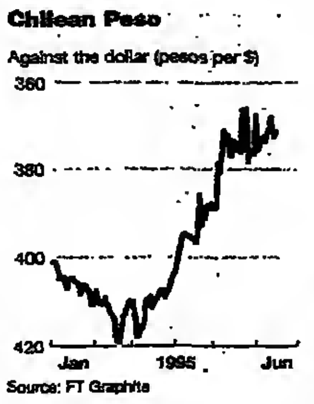
He suggests the central bank lowers interest rates and that the government provide a withholding tax holiday for a limited period to encourage the remittance of dividends abroad. It should also lower tariffs from 11 per cent to 8 per cent, in place of a planned cut in value-added tax.

Most controversially he urges the central bank to fix for a limited period a quota for the desirable level of capital inflows. The central bank should then auction off the transferable investment rights to would-be investors.

The government says such a step would be too radical a change in a country where economic policy has been built upon a broad social consensus. "We remain more interested in promoting the exit of capital than stopping it from coming in," says Mr García.

Stephen Fidler

Chilean Peso



Source: FT Graphite

Aid cuts worry Brussels

Santer outlines hopes over US

By Jurek Martin in Washington

Mr Jacques Santer, president of the European Commission, yesterday offered the US a blueprint for wide-ranging co-operation based on the EU's role in providing "continent-wide stability in Europe".

But he also described the notional transatlantic free trade area as "unrealistic in the short term" and only worthy of consideration if it conformed to the rules of the new World Trade Organisation.

Mr Santer indirectly urged the US and Japan to settle their trade problems under the auspices of the WTO without recourse to unilateral action. "We must live by the rules we have agreed that we want others to apply," he said.

He expressed EU concern over what he called the "draconian" cuts Congress was considering in US foreign aid. In an inter-connected world it was "unrealistic short-term thinking," he said, "to suggest that severe cuts in American aid can be absorbed without cost".

He was speaking on the morning after a round of talks with President Bill Clinton and President Jacques Chirac of France, which holds the EU presidency.

A senior US administration official said transatlantic relations were at a "seminal" point, requiring maximum dialogue.

Mr Santer accepted this and highlighted a series of areas in economics, politics and security in which the EU was willing to shoulder its responsibilities.

The US official proposed the creation of a working group of senior representatives from both sides charged with presenting co-operative ideas to a EU summit to be held in Barcelona in November.

He added that the US was not seeking a formal consultative mechanism with the inter-governmental conferences on which the EU is now embarked as part of the Maastricht Two process. He said the US did not seek "a nose in the tent" but did expect to be accorded "an open ear" by the EU.

He was, in this respect, sharply critical of the lack of EU co-operation in the so-called "third pillar" of the IGCs, specifically in the fight against organised crime and the narcotics trade.

He accused European interior ministries of refusing to respond to legitimate approaches from US law enforcement agencies for joint information sharing. He was afraid that if responsibility were vested in the Commission the response would be worse.

AMERICAN NEWS DIGEST

Pinochet backs ex-police chief

General Augusto Pinochet, the Chilean army commander, has defied the government and courts by challenging the legality of the trial and sentence for murder of Gen Manuel Contreras, the former secret police chief. In an interview published yesterday in a daily newspaper the general said Gen Contreras and Col Pedro Espinosa, his former second in command, had not been given a fair trial. They had been judged by "an ad hoc court, like a Nuremberg tribunal", he said.

The Chilean army has taken Gen Contreras into its care and made no secret of its unhappiness with a Supreme Court ruling sentencing him to six years' imprisonment for the 1976 murder of a former Socialist minister. But only a week ago Gen Pinochet had said in a television interview that although he personally believed in Gen Contreras's innocence, he accepted the sentence of the court. Sources close to the government said the army had indicated it would not hand over Gen Contreras, who is in a naval hospital in the south, unless the government agreed to talks. The government insisted it would not negotiate until Gen Contreras was in jail, the sources added. The finance and foreign ministers have said that the army's attitude would harm Chile's image abroad and could affect investors' confidence. *Imogen Mark, Santiago*

Congress gives Cavallo a boost

Argentina's lower house of Congress has approved a work accidents law which Mr Domingo Cavallo (left), economy minister, sees as vital to beating record unemployment. Passage of the bill on Wednesday night came as the government admitted that unemployment was probably 14 per cent, nearly 2 points higher than in October. The bill, which is almost certain to be passed by the Senate, will establish a compulsory insurance scheme to cover work accidents. The government argues that the current system has created a legal apparatus which serves neither employers nor employees. The risk of big legal fees are a disincentive to hiring new workers and raise Argentine labour costs, the government says. The new scheme, supported by most official unions, will set standard rates for indemnity, depending on age and the seriousness of a given disability. Passage of the bill represents a victory for Mr Cavallo, whose relationship with Congress has soured recently. The economy minister will now seek to push through other legislation on collective bargaining, employment contracts and bankruptcy. *David Pilling, Buenos Aires*

Ecuador defence minister quits

Mr José Gallardo, Ecuador's defence minister, resigned yesterday to allow him to run for president in elections 10 months away. The retired general's popularity surged after the recent conflict with Peru. Mr Gallardo, who will run as an independent candidate, said the country "had serious problems and was being left behind" while other nations developed rapidly. He will be replaced by General Alfonso Alarcon. *Raymond Colitt, Quito*

NEWS: WORLD TRADE

US car dealers' chief fears trade war

By Michiyo Nakamoto in Tokyo

US sanctions against Japanese luxury cars could aggravate anti-Japanese sentiment in the US and spill over to affect other Japanese products, a representative of US car dealers warned yesterday.

Mr Walter Huizenga, president of the American International Automobile Dealers Association, said that if US sanctions against Japanese luxury cars went ahead there would be repercussions on other aspects of bilateral trade.

"I think this could ignite a trade war. It's something that we can't allow to get started," Mr Huizenga said in Tokyo yesterday where he is leading a delegation of US dealers of imported cars on a visit to Japan.

The $5.9bn worth of US sanctions on Japanese luxury cars go into effect on June 28, retroactive to May 20. The US and Japan have agreed to continue talks in Geneva next week but Mr Mickey Kantor, the US trade representative, on Wednesday reiterated the US stance that unless there is a "meaningful" agreement on opening up Japan's markets to foreign cars and car parts, the sanctions would take place as scheduled.

The Japanese government's attempt to seek a solution to the threat of sanctions through the World Trade Organisation will not help the situation since US dealers of luxury Japanese cars will have gone out of business by the time the WTO comes to a decision, Mr Huizenga warned.

"The WTO does not represent a viable solution," he said. US dealers of Japanese cars were already seeing a fall in sales of cars not targetted by the sanctions. If the sanctions went into effect, they would immediately affect the 2,028 businesses belonging to the AIADA and their 81,000 employees which sell and service the 13 models of Japanese luxury cars facing punitive tariffs.

"There has to be some sort of a negotiated settlement," Mr Huizenga said.

Spanish group secures $4.5bn helicopter deal

By David White in Madrid

A little-known engineering and components group based in the Spanish Basque country, Gamesa, has secured a deal with US helicopter manufacturer Sikorsky expected to be worth $4.5bn over 25 years.

Next to Spain's stake in Airbus Industrie, where the state-controlled company Casa has 4.2 per cent, it is believed to be the biggest export agreement for the Spanish aerospace sector. Gamesa has not previously made parts for helicopters.

Sikorsky, part of United Technologies, which recently sold its stake in Westland of the UK, is to give the Basque group a share of about 7 per cent in its new medium-size S-92 helicopter, launched this week at the Paris air show. The helicopter will be a direct competitor in both the civil and military markets for the EH101 made by jointly by Westland and Agusta of Italy.

Sikorsky plans to assemble the final airframe in Stratford, Connecticut, from sections made in Spain, China, Taiwan, Japan and Brazil, and to start production in the year 2000.

Mr Kenneth Kelly, a Sikorsky vice-president, said it would also bring Gamesa into its Black Hawk military helicopter programme if it succeeded in selling the aircraft to the Spanish army.

An earlier plan for Westland to make Black Hawks for Saudi Arabia under licence has been dropped. Mr Kelly said the UK company was not in the running for the S-92 project.

The Gamesa deal followed 18 months of discussions. "It really wasn't a competition. We just went straight to Gamesa because we were impressed by its capability," Mr Kelly said.

The Basque group, which will make the rear fuselage and the pylon for the rotor system, produces auto and aircraft parts – including fuselages for Israel Aircraft Industries – and industrial systems. It had sales of Pta34bn ($279m) last year. The Sikorsky deal, including spares, is expected to add 25 per cent to this annual figure when the helicopter is in full production.

The project will create about 2,000 jobs in Spain, with 190 at Gamesa itself, which employs 1,700, and the rest at sub-contractors. Gamesa plans to invest Pta16.5bn on the programme and will seek support from the Basque regional government. The company, based at Vitoria, was set up in 1976 and is 80 per cent controlled by IBV, a joint holding company of Banco Bilbao Vizcaya and the Iberdrola electrical utility. Sikorsky's other partners in the S-92 are Embraer of Brazil, Mitsubishi Heavy Industries of Japan, Taiwan Aerospace and China's Jingdhezen Helicopter Group. Sikorsky said it hoped to capture half of an available world market of 5,000 units up to 2019.

● Agusta, a unit of Finmeccanica of Italy, has won a contract with the government of Ghana for the supply of four helicopters, according to reports from the Paris air show.

Also at the air show, Romania yesterday agreed a production accord with US company Bell to build 96 Cobra attack helicopters for the Romanian armed forces. The deal involves Bell shipping to Romania its Cobra AH-1F aircraft for local assembly.

Qantas launches tit-for-tat action in Hong Kong

By Nikki Tait in Sydney

Qantas, the Australian airline scheduled for privatisation this month, yesterday began a legal challenge to the Hong Kong government's move to restrict its traffic rights.

Qantas filed an application in the Supreme Court in Hong Kong seeking a judicial review of the government's decision and challenging the Hong Kong authorities' right to impose conditions on the airline's operating permit issued under bilateral treaties.

The Qantas action mirrors steps by Cathay Pacific, Hoog Kong carrier, in Australia. Cathay has begun court proceedings in Sydney in an attempt to stop the Australian government preventing it flying to Australia after June 30.

Both legal moves stem from a rumbling aviation row between the two countries about so-called "fifth freedom" traffic carried by an airline between destinations outside its home country. Cathay has been unhappy about the amount of intra-Asian traffic which Qantas has been picking upin Hong Kong and flying to Singapore and Bangkok. It has also claimed that Qantas has been using fifth freedom rights to offer services to European destinations.

In April, the Hong Kong government said it would restrict Qantas' fifth freedom rights to 50 per cent of traffic on its Hong Kong-Singapore and Hong Kong-Bangkok services from July 1. In retaliation, the Australian government said that it would only approve services by Cathay to Australia until June 30.

Yesterday, in the course of the Cathay court hearings in Sydney, Australia's federal department of transport made clear that it would give the Hong Kong airline an indication of the conditions it will place on its operations in Australia by Tuesday. "There is no suggestion that Cathay will not have a (flight) timetable after June 30 if they apply," said Mr David Bennett, acting for the government.

Fears grow over US investment in India

By Mark Nicholson in New Delhi

Indian and US officials have launched a flurry of visits and statements aimed at limiting the damage to US and foreign investors' confidence caused by the state government of Maharashtra's review of the Dabhol power project, the biggest US investment in India.

Mr N K P Salve, India's power minister, yesterday arrived in the US on a two-week UK-US tour designed to persuade investors of the central government's strong support for foreign-backed power projects. He is accompanied by 30 officials and industrialists from the Indian power sector. Mr P Chidambaram, India's commerce minister, also left for the US yesterday.

In London, Mr Salve said investors should not be deterred by the new Hindu nationalist government of Maharashtra's review of the $920m project. He said the government would do all it could to prevent tha state government reneging on the project.

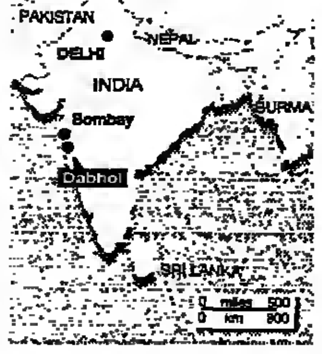
Enron, the US power group, has already begun work on the site and says it has drawn down $300m of its borrowings. The project is the first big foreign-backed power project to complete financing.

However, during their recent successful election campaign, the Bharatiya Janata Party and Shiv Sena Hindu nationalist alliance alleged corruption in the negotiation of the deal. They also said the project was too costly and the tariff from the first phase too high. This is denied by Enron, which leads the Dabhol consortium.

The state government's review has sparked considerable international concern over India's reliability as an investment partner, raising fears in particular that it may set a precedent for incoming governments to abridge or annul contracts agraed by their predecessors. "Enron is not simply another power project, the credibility of our reforms depend on it," Mr Salve said.

The former chief minister of Maharashtra state, Mr Sharad Pawar, who authorised the deal, has defended the Enron project saying it would ensure the industrial future of India's richest state. He warned that Maharashtra, of which Bombay is the capital, would have to pay penalties of up to Rs9.0bn ($286m) if it scrapped the deal.

The US energy department last week warned that cancellation of Dabhol would jeopardise "most, if not all the other private power projects being proposed for international financing" – a warning which provoked an angry reaction in



India, hardened anti-Enron sentiment in the Indian press and dismayed US diplomats, who felt it wss tactlessly heavy-handed.

Mr Frank Wisner, the US ambassador to India, yesterday sought to play down the potential damage to US-Indian commercial relations and said investors should distinguish between the political signals, particularly from Hindu nationalist parties and state governments, and their underlying commitment to liberalising economic policies.

"Enron has its own dynamic," he said. "Neither have I seen any steps by the government of Maharashtra or the [BJP Hindu nationalist] government of Gujarat which would limit the activities of American businesses."

The two countries will next week inaugurate a new US-Indo Commercial Alliance at a meeting in Santa Clara, California, under the joint auspices of Mr Chidambaram and Mr Ron Brown, US commerce secretary. The alliance, said Mr Wisner, "is as clear a signal as the US government has to say we think this is a good time to do business in India".

WORLD TRADE NEWS DIGEST

Boeing's demo flight deflated

A demonstration flight of the new Boeing 777, carrying transport ministers from several countries, was forced to fly at reduced altitude this week after a loss of cabin pressure.

Boeing said the loss of pressure was imperceptible to the 112 passengers, who included Mr Federico Peña, the US transportation secretary, and transport ministers from several countries of the Asia-Pacific Economic Co-operation forum.

The aircraft landed in Denver where the pressure loss was traced to loose clamps holding air-conditioning ducts in place. Problems with air conditioning ducts caused a rapid loss of pressure during a 777 test flight in February, injuring three crew members. In that incident, a valve supporting the air conditioning ducts also failed, causing a rapid loss of pressure. In this week's incident, the valve held, ensuring only a slow loss of pressure.

Boeing said final adjustments to the air conditioning ducts had not been made on the aircraft involved in this week's incident because it was still being tested. The company said: "It's an embarrassing event for Boeing but it doesn't signify any problem for the airplane or the design of the airplane." *Michael Skapinker, Aerospace Correspondent*

China to fix cotton export prices

China is bringing its cotton export companies under the control of a state trading organisation which will set a single export price, part of Beijing's attempt to stamp out price speculation in commodities trade. China Textile News reported that all Chinese companies trading cotton will from this year be answerable to the Cotton Dealing Centre which will be responsible for setting a unified price for exports. The imposition of state control follows severe shortages of cotton in recent years that pushed up prices and fostered a black market for cotton. *James Harding, Washington*

EU seeks steel pact with Turkey

The European Commission is asking member states for permission to negotiate a free trade agreement in steel products with Turkey. It said steel products were not included in a recent customs union pact and a separate agreement was needed.

The EU has a trade surplus with Turkey in steel products. It exported 1.43m tonnes, or Ecu555m worth, in 1993, compared with imports from Turkey of 53,000 tonnes worth Ecu22.3m. According to the commission, EU duties on Turkish steel were low, at between 4 and 5 per cent, while Turkey imposed high levels of protection against the EU. Without an agreement Turkish duties would average between 20 and 30 per cent, it said. *Emma Tucker, Brussels*

■ Caspian, the investment group being set up by Mr Christopher Heath, founder of the Asian equities business at Barings bank, has announced a five-year contract with Hewlett Packard, the US computer and electronics manufacturer, to set up an information technology infrastructure. HP will work with Andersen Consulting to plan the technology and will subcontract the supply of communications networks to British Telecom. The contract covers all computer systems and software for offices in New York, London, and Asia. *Motoko Rich, London*

■ The European Commission has started an anti-dumping investigation into imports from South Korea of polyethylene terephtalate film for use in the production of video tape. The investigation follows a complaint in February from Hoechst Diafoil, Rhone-Poulenc Films and Teijin-Du Pont Films after a big rise in PET film imports. *AFX, Brussels*

World arms spending 'is still falling'

By Bruce Clark, Diplomatic Correspondent

Military spending is rising significantly in south and south-east Asia, but continuing to fall in the world as a whole, the Stockholm International Peace Research Institute says. A summary of its annual report on arms and security shows military spending by India and Pakistan up 12 and 19.5 per cent respectively between 1992 and 1994.

The fast-growing nations of south-east Asia were buying more arms and "the types of weapon being purchased indicate clearly that major resources are being committed to enhancing power-projection capabilities." Despite the upswing in Asia, "aggregate world military spending continued to fall in 1994, driven by falling expenditure levels in the industrialised countries".

Sipri had stopped trying to put a precise figure on global military spending because data on China and the former Soviet republics were inadequate; some central and eastern European countries were also making it harder to obtain information on their defence budgets.

Sipri estimated that value of global trade in major conventional weapons, expressed in 1990 prices, had remained steady last year at $21.7bn (£13.5bn). This meant the size of the world arms trade had remained stable since 1991, after falling between 1987-91.

Some surprising regional shifts were detected. Among recipients of major conventional arms, Europe's share had climbed from 26 per cent in 1985 to 31 per cent in 1994, with the Middle East's falling from 31 to 24 per cent.

This was despite sales to the former Warsaw Pact nations having fallen sharply. As part of the reason, Sipri notes that "south-eastern Europe, particularly Greece and Turkey, has seen significant deliveries of major conventional weapons".

Mr Alexei Arbatov, the Russian security analyst, warns in the year-book that anti-missile defence programmes being developed by the US and Russia could undermine the fabric of strategic arms control. These "seem excessive in relation to avowed current threats or hypothetical future threats" and could undermine the Anti-Ballistic Missile Treaty.

That in turn could prompt other nuclear weapon states to upgrade their forces, and weaken the constraints on potential proliferators, Mr Arbatov argues.

On a more encouraging note, another essay reports: "The nuclear arms race appears to have largely halted" and that any remaining research and development on nuclear weapons "has a decidedly end-of-era feeling".

The world's total of operational nuclear warheads was estimated at no less than 20,000. The US had 7,770 strategic and several hundred tactical warheads; the former Soviet republics 8,257 strategic and 2,000-6,000 tactical warheads; France some 500 warheads; UK 250-300; China about 300; Israel under 100.

Sipri Yearbook 1995: Armaments, Disarmament and International Security, available September Oxford University Press £60

Halifax contest over who speaks for poor

'Alternative summit' groups find some of their issues taken up, writes Gillian Tett

As the G7 summit of the world's leading industrialised economies got under way in Halifax, Nova Scotia, yesterday it was not the only party in town. A short walk from the official waterfront conference centre, a group of non-governmental aid, environmental and protest organisations (NGOs) are hosting an alternative summit, discussing topics ranging from United Nations reforms to the World's Weavers – with a drumming circle session and protests from the Raging Grannies group thrown in.

For seasoned summit-goers, the event, known as the "P7" – or "Peoples' Summit" – is likely to provoke a certain cynicism.

In the last 10 years G7 summits have increasingly been shadowed by alternative events sporting the odd title of "Toes" (The Other Economic Summit). Organised by NGOs, they have protested about the lack of a third world voice at the G7 – and almost as consistently been ignored by G7 officials.

But this year's event has a slightly different undertone.

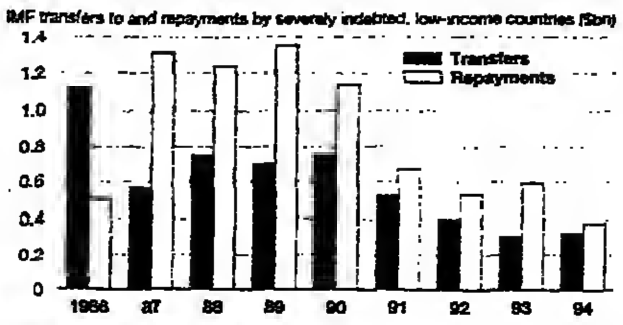
Some groups scent that a few of their demands have been edging off the streets and into the mainstream agenda of international politics – not least because of behind-the-scenes contacts that have occured between NGOs and G7 officials in the run up to the conference.

One indication came from leaked drafts of the G7 communiqué last week which suggested that development and poverty issues may be some of the most controversial areas of the debate.

One particularly controversial subject is multilateral debt. For the last four years, groups such as Christian Aid and Oxfam, have been campaigning to have part of the multilateral debt of the world's poorest countries written off, pointing out that these countries have been repaying more to the International Monetary Fund than they have been receiving.

The debt burden

IMF transfers to and repayments by severely indebted, low-income countries ($bn)



Source: World Bank, World Debt Tables

These campaigns were boosted last year when Mr Kenneth Clarke, UK chancellor proposed that the IMF should sell part of its gold to be re-invested in interest bearing accounts for debt relief.

Preliminary drafts of the G7 communiqué suggest the issue is still being negotiated, not least because Germany, Japan and the IMF itself have strongly opposed the scheme.

Ms Jessica Woodroffe, head of campaigns at Christian Aid, says: "You have to remember that when we first started talking about this there was no one who would listen to us. It is progress that they are even discussing this at the G7."

Some of the groups are gloomier, particularly over the debate about the reform of Bretton Woods institutions. "The Bank is simply unreformable. There should be an orderly shut down," says Mr John Theodo of the Canadian group Probe, which monitors World Bank operations, and, like many other NGOs, accuses it of fuelling, rather than alleviating, third world poverty, and ignoring social and economic concerns.

But the fact that the G7 summit is even discussing the role of the Bretton Woods institutions has encouraged Mr Cameron Duncan, the Washington-based economic adviser for the environmental Greenpeace group. "We do have great expectations for this meeting because last year's summit committed the G7 to doing a review of the Bank and Fund as institutions," he says.

However, early drafts of the communiqué give little indication that the G7 will request any dramatic change in the mandate of either the Bank or the Fund – or curtail their overlapping roles, as many NGOs are demanding.

"Part of the problem at present is that the Bank and Fund have been getting into areas in which they don't have competence," says Mr Kevin Watkins of Oxfam, who claims that the IMF has increasingly become involved in longer term quasi-development projects – traditionally the preserve of the Bank – in spite of its short-term mandate.

The new IMF financing measures proposed in the draft to avoid another Mexican style financial crisis are also unlikely to satisfy many NGOs, which are insisting that a sweeping review of capital flows – with possibly even a currency transaction tax or the strengthening of local currencies – is needed to help developing countries.

One area where some NGOs might draw a crumb of encouragement is in calls for the IMF to have more transparency.

Away from the placards, the main mood in the NGO camp is stoic. For though the P7 may give some colour to the events in Halifax, many NGOs already have their lobbying eyes fixed on another event – the annual meeting of the World Bank and IMF later this autumn.

US confirms clash between Iraqi military units

US intelligence has confirmed that there was an exchange of fire between Iraqi military units near a radio station close to Baghdad on Wednesday, a Clinton Administration official said yesterday, Reuter reports from Washington and Damascus.

"There was some shooting around that radio station. It was apparently a minor skirmish and it had no effect whatsoever on Saddam's government," the official, who asked not to be identified, told Reuters in a reference to Iraqi President Saddam Hussein. "But it illustrates that there is opposition to Saddam."

The comment came as the Iraqi opposition in exile, ignoring government denials of any unrest inside Iraq, said that loyal army units had encircled a rebel tank battalion on the outskirts of the capital Baghdad.

Opposition officials said the trouble began on Wednesday when the authorities sent home the body of the brother of an army brigadier, a former air force officer who was executed on charges of trying to overthrow Saddam.

"It [the shooting] was in reaction to the death of the air force general," the administration official said.

Opposition leaders based in Damascus said the leader of the mutiny had died in battle and his forces had withdrawn from the outskirts of Baghdad, westwards towards the Euphrates.

The opposition Supreme Council of the Islamic Revolution in Iraq (SCIRI) said in a statement issued in Damascus that the rebellion continued in the Fallouja and Ramadi areas, where people had seized weapons from government arsenals.

Previous reports from Shia opposition groups in exile said government forces had failed to crush the mutinous July 14 tank battalion, commanded by Brigadier Turki Ismail al-Dulaimi, in fighting at Abu Ghraib just outside the capital.

Mr Isra al-Maliki, a spokesman in Damascus for the Islamic Daawa party, earlier yesterday said that, after heavy fighting in the Abu Ghraib area on Wednesday, it was quiet while the two sides prepared their next moves.

The official Kuwaiti news agency Kuna quoted a SCIRI statement in Tehran as saying that fighting continued at Abu Ghraib with tanks, helicopters and other armoured vehicles.

The Iraqi government has denied anything has happened and some Baghdad-based diplomats are also sceptical.

Israel gives terms for self-rule deal

By Julian Ozanne in Jerusalem

Israel said yesterday it could reach an agreement with Palestinians to extend self-rule by a target date of July 1 so long as the Palestinians accepted a two-stage Israeli troop withdrawal from the occupied West Bank.

Mr Shimon Peres, Israeli foreign minister, said in an interview that only three obstacles now stood in the way of an agreement: the scope of a troop redeployment, the size of an elected Palestinian council, and how Arab residents of Israeli-occupied East Jerusalem would be able to participate in Palestinian elections expected later this year. The latter two issues could be resolved by the Palestinian and Israeli political leaderships on the last day of negotiations.

Palestinians charge that Israel has consistently delayed and obstructed the process, now at least one year behind schedule, and are insisting the July 1 date be met.

"If it is clear in the eyes of the Palestinians that there will be a first redeployment to allow Palestinians to conduct negotiations and a further redeployment later, then July 1st is possible," he said. "If there is an attempt to insert the further redeployment in the agreement then it is a different story."

The message was conveyed to Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, in a meeting yesterday in Gaza with Mr Yossi Sarid, Israeli environment minister

"If we want to achieve a full, complete, finished agreement on all the details and nuances, then I think July 1 is not a realistic date," he told Israel radio. "But if we want to a achieve an important agreement, an honourable, if not entirely complete agreement which will allow for elections in the territories in four months under fair conditions then July 1 is still a realistic date."

Mr Peres also said he was working on three projects to give the Palestinian self-ruled areas an economic injection which would show immediate benefits.

The projects are to raise finance to build 100,000 housing units for Palestinian families in self-rule areas and in Jordan; to train Palestinians to fill high-level technical jobs in Israel's expanding high-tech sector; and to implement an agreement to construct industrial parks on the Israel-Palestinian border to provide employment for Palestinians.

Kenyan budget revives reform drive

By Michela Wrong in Nairobi

Mr Musalia Mudavadi, the Kenyan finance minister, yesterday unveiled a 1995-96 budget aimed at calming donor fears that his government is backtracking on economic reform.

He announced the end of a controversial ban on imports of sugar, wheat, milk and maize and pledged to press ahead with reform of the state sector.

The six-month ban, introduced in April on the grounds that cheap foreign imports were harming local producers, had been viewed by economic analysts as a worrying indication that Kenya was not committed to a free market economy. A recent International Monetary Fund delegation to Nairobi had pushed for it to be reversed.

By lifting it nearly four months ahead of schedule, Mr Mudavadi has removed what was going to be a bitter bone of contention at a key meeting with donor governments scheduled in Paris for July 24.

Mr Mudavadi, regarded in the west as one of the champions of Kenya's radical two-year reform drive, also promised progress on the privatisation of the country's state sector, which appears to have ground almost to a halt after an initial flurry of activity.

He said Kenya Airways, the national carrier, would be privatised by the end of the year and companies such as Kenya Railways, Kenya Ports Authority, Kenya Posts and Telecommunications and the national electricity utility would also be targeted for privatisation and restructuring. By the end of the year, a third of the 146 companies awaiting privatisation would be floated, he said.

To encourage investment in newly privatised companies Mr Mudavadi said the ceiling on foreign investment in companies floated on the Nairobi Stock Exchange would be lifted to 40 per cent from the current 20 per cent. The limit has long been regarded as one of the main reasons for the low levels of activity on the bourse six months after it was first opened to foreign investment.

Looking back on a year in which Kenya enjoyed 3 per cent GDP growth and saw a sharp fall in inflation after two years of stagnation, Mr Mudavadi appeared in upbeat mood. He expected a range of steps to widen the tax base and improve duty collection would swell Treasury coffers and forecast 5 per cent growth in 1995 and 5.6 per cent in 1996. The budget deficit, he said, should be eliminated altogether after falling sharply in 1994-95.

Arabs 'losing east Jerusalem fight'

By David Gardner, Middle East Editor

Israel could succeed in putting its occupation of Arab east Jerusalem beyond the reach of negotiation and diplomacy unless the Arab world reacts quickly, according to the International Campaign for Jerusalem, formally launched yesterday in London.

The campaign, inspired by leading figures in the Palestinian diaspora, aims to counter what it regards as a largely successful Israeli propaganda campaign presenting all of the holy city – including the eastern quarter annexed after the 1967 Arab-Israeli war – as Israel's rightful capital.

Successive UN Security Council resolutions since 1967 have condemned the occupation of east Jerusalem and the West Bank as illegal. In spite of this, Israel has used a discriminatory housing policy inside the city and an extensive Jewish settlement policy around the eastern quarter to ensure that Arabs in the east and within "greater Jerusalem" are in a minority.

Under the 1993 peace process between Israel and the Palestine Liberation Organisation (PLO), control over the divided city will not be discussed until next year. Palestinians regard the eastern quarter as the capital of the future national state they hope will emerge from the peace negotiations.

Dr Ghada Karmi, chairwoman of the campaign and a native of Jerusalem, said that because of Israeli settlement policy and confiscation of Arab land, "the city we knew is disappearing before our very eyes, and will shortly be beyond recall."

Professor Edward Said, a leading Palestinian polemicist said Israel was "gouging out a gaping hole in the (occupied) territories", by cutting off the West Bank from its natural hub of east Jerusalem. Under delayed and still problematic negotiations between the PLO and Israel, Palestinian autonomy should spread from Gaza and Jericho to most of the occupied West Bank through Israeli troop redeployment and elections in Arab towns this autumn.

NEWS: ASIA-PACIFIC

Japan brings forward economic package launch to July

By William Dawkins in Tokyo

Japan is to bring forward its next *economic stimulus plan from the autumn* to next month, in an attempt to strengthen so far inadequate attempts to stave off a second recession.

The embattled coalition government plans to launch its second package of the year before the July 23 upper bouse elections, following an estimated Y3,300bn ($38bn) of public spending and deregulation measures in April, widely seen as insufficient.

Yesterday's decision coincides with growing demands from business leaders for vigorous action to stimulate the economy and curb the trade surplus, a source of the yen's strength, which is further depressing growth.

Mr Yoshiro Mori, secretary-general of the ruling Liberal Democratic party, yesterday called for cuts in property and securities transaction taxes to be included in the package, to halt the decline in asset prices which has held up bank lending and industrial investment.

But there is little chance a divided coalition will be able to agree on radical tax reform, a senior LDP policy official admitted yesterday. Despite this, the stock market cheered up slightly at Mr Mori's remarks; the Nikkei index rose 206.77 points to 14,867.26, its second day of recovery after falling to a 34-month low on Wednesday.

As if to reinforce Japanese companies' anxieties over the trade imbalance, the finance ministry announced yesterday that the surplus rose 7.1 per cent to $6.98bn in May, compared with the same month last year.

Within this, the dollar surplus with the US rose 8.7 per cent to $3.3bn, a figure likely to bolster the yen and harden Washington's conviction that Japanese markets are closed. In yen terms, tha total trade gap shrank 12.3 per cent, a discrepancy caused by the dollar's fall against the Japanese currency over the past year.

Mr Takashi Imai, chairman of the Japan Iron and Steel Federation, said a "comprehensive" package of economic and industrial reform was needed. A weaker-than-expected recovery in steel demand and a rise in inventories were a "warning signal".

Mr Imai's fears were underlined by the international trade and industry ministry, which admitted industrial output in April fell by more than at first thought, by 0.9 per cent from March, instead of 0.2 per cent.

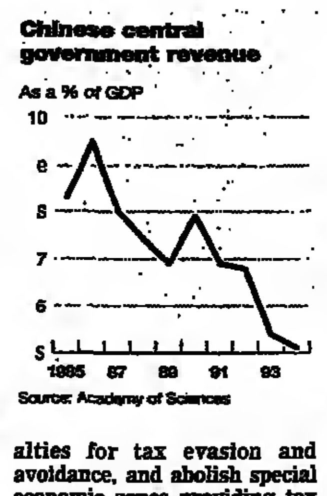
Business leaders voiced alarm yesterday at the government's inability to take decisive action.

Mr Minoru Makihara, president of Mitsubishi Corporation, Japan's largest trading company, dismissed as "half-hearted" last week's government scheme to help the banking system. "The government does not have a clear thought of what they want to do," he said.

The economy had remained stuck at the bottom of the cycle for the past two years, thongh some of Mitsubishi's business groups were now predicting increased sales. Deregulation especially in poorly competitive service sectors, was essential. *But Mr Makihara complained the government* lacked the political leadership to deregulate the economy.

Officials of the Keidanren, Japan's main business lobby, yesterday urged the use of public money to shore up the financial system. This use of taxpayers' money is unpopular with Japan's disgruntled voters, but is gaining growing support in business circles, anxious about a shortage of bank lending.

China 'risking collapse' from fiscal weaknesses



By Tony Walker in Beijing

China risks disintegration if it does not act decisively to strengthen central government revennes, improve tax collection and formulate a new tax distribution system, a leading researcher has warned.

Mr Hn Angang, a senior fellow of the Academy of Sciences, a government think-tank, said in an interview that China's fiscal weakness in one sense recalled problems in the former Yugoslavia, where the erosion of central revennes had contriboted to the collapse of the state.

Beijing's revenues accounted in 1994 for 5.1 per cent of gross domestic prodnct compared with 6.8 per cent in 1992. In the US, central revennes account for about 20 per cent of GDP, in Japan about 14 per cent, and in Britain about 35 per cent, according to Mr Hu.

Mr Hn noted that in Yngoslavia, on the eve of its dissolution amid ethnic strife, such revennes were down to 5.6 per cent. Although he was at pains to say that China was in no imminent danger of fragmenting, he warned that the parlous state of China's finances threatened to undermine central anthority at a time when wealtbier provinces were asserting their independence. Beijing was endeavouring to counter tbis trend, bnt its efforts were inadequate.

> 'China's problems recall those of former Yugoslavia'

"Instead of getting better the situation keeps changing for the worse," Mr Hn said. He blamed Beijing's problems partly on resistance from the provinces to new tax reforms introduced in 1993.

Powerful provincial chieftains had prevailed on the centre to give ground on new revenue-sbaring arrangements. Tbese had been aimed at strengthening central finances, and also achieving a more equitable distribution of tax revenues to poorer areas.

Mr Hn said Beijing was losing ont in the "political games" being played with wealthier provinces such as Gnangdong and Zhejiang. Poorer provinces were being further disadvantaged and the prosperity gap was widening.

Mr Hn is regarded as something of an iconoclast and doomsayer among Chinese *academics, but the fact that he* is able to publish his work and speak relatively freely indicates that powerful figures in the leadership see political benefits in allowing his warnings to be publicised.

His predictions bolster arguments by leaders such as Mr Zhn Rongji, tbe execntive vice-premier in charge of the economy, who have been pushing for a strengthening of central control after the rush to decentralise in the early 1990s.

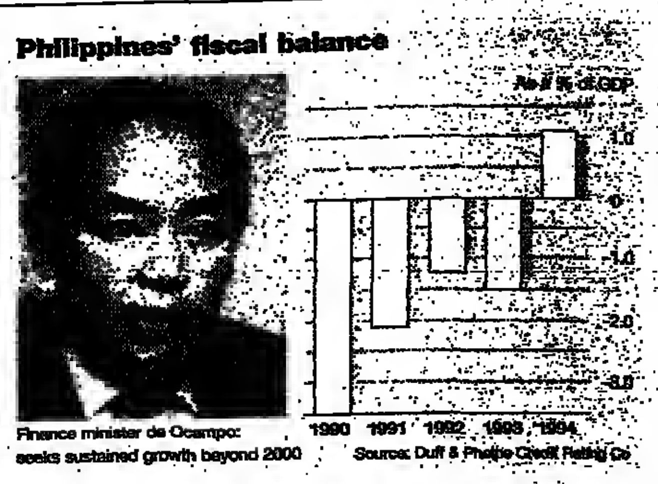
Mr Hn is urging the government to reinforce a weak tax-collecting regime, stiffen penalties for tax evasion and avoidance, and abolish special economic zones providing tax incentives for new investment.

He said one glaring example of central budgetary weakness was the fact that the military had to become involved in business activities like operating hotels simply to keep afloat. "This is unheard of in any other country," he said.

A western economist cballenged Mr Hn's gloomier predictions abont a possible break-np of China, and said central finances were not quite as serious as described when "off-hndget" items were included.

Additional research by Jiang Wandi

Manila planning taxation reforms



Finance minister de Ocampo: seeks sustained growth beyond 2000

By Peter Montagnon, Asia Editor

The Philippine government will launch a far-reaching package of direct tax reforms as soon as the new Congress begins its first session on July 24, Mr Roberto de Ocampo, finance minister, said in London yesterday.

The package will aim to broaden the tax base and improve collection in an effort to raise the share of fiscal revenues to *around 18 per cent of* gross domestic product over the medium term from 15.5 per cent at present.

That would put the Philippines in line with its faster-growing partners in the Association of South East Asian Nations, Mr de Ocampo said.

It could contribute to a rise in the country's relatively low 16 per cent savings rate and would secure an improvement in the fiscal position, which was in surplus last year for the first time in two decades.

"We think this tax reform is going to be a major legacy of this administration and one of the vital foundation stones of our efforts to have sustainable economic growth beyond the year 2000," he said

The package would draw into the tax net more companies, only 40 per cent of which currently pay tax. Corporation tax would fall to between 20 and 25 per cent from 35 per cent, but the new rate would be based on gross sales rather than net income.

Reform of personal tax would involve automatic deductions, increased thresholds and a clear set of rating bands. As with corporation tax, this would streamline collection and remove room for discretion, corruption and tax evasion, he said.

Mr de Ocampo said his tax reform task force was already working with congressional leaders to ensure support for the package. The earlier introdnction of valne-added tax ran into problems – its extension to services is still held up in the supreme court – because it had *not* been properly explained at the outset. The new reforms were "*pro-poor and pro-progress*", *he said.*

He was also planning a series of "talk naughty" golf-course meetings with business leaders in which he would invite them to identify loopholes in the new system so that they could be closed off before it entered force.

In the first year of the programme net tax revenues would probably rise only 1 per cent or 3bn to 5bn pesos (£73m to £121m), but the benefits would grow as more companies were caught in the net.

The government expected a further 16bn pesos in revenues this year from "re-privatising" organisations such as the Philippina National Bank and Manila Hotel, as well as enterprises in the smelting and fertiliser sectors.

Latar it would privatise organisations which hava always been state-owned such as Philippine National Power, but this would involve a gradual approach, initially involving only a private sector management contract. A direct sale of tha power business was impracticable because of uncertainty over the impact on national electricity prices from the development of a nationwide grid, he said.

Pakistani budget criticised by IMF

By Farhan Bokhari in Islamabad

Pakistan's annual budget, unveiled on Wednesday, is incompatible with conditions agreed with the International Monetary Fund earlier this year as part of a three-year structural adjustment programme, the IMF representative in Islamabad said yesterday.

Mr Harry Snoek, the fund's resident official, said in an interview: "It is a deviation from our programme. Now we want to discuss bow we can continue. We are continuing our dialogue."

The government yesterday reiterated its commitment to the adjnstment programme, while saying its pace had to be slowed in the budget to suit the country's needs.

Mr V. Jafarey, adviser on finance to the prime minister, Ms Benazir Bhutto, said: "We are not making any U-turns or deviations from the programme. Macroeconomic stability and structural reforms remain our goal hut the pace of adjustment has been modified to suit our own conditions."

Pakistan's decision to cut maximum tariffs by only 5 percentage points to 65 per cent in tha hudget has raised concerns over the country's relations with the IMF, which wants to see a reduction to 40 per cent this year.

The government set a target of reducing its deficit to 5 per cent of gross domestic product in the 1995-96 fiscal year, against a target of 4 per cent agreed earlier with the fund.

The government's borrowings from local banks are also set to double during the year, raising further concerns that the country's macroeconomic management may worry its western lenders.

The government's set target for borrowings, which last year was PRs15bn ($485m), has been raised to PRs30bn. Mr Jafarey said Pakistan would discuss the new targets when an IMF mission visits later in the year.

Western officials cast doubts on Pakistan's ability to continue witb the programme. One western economist said: "The targets are now way off mark. It would be difficult for the Fund to continue the programme."

Other economists said they understood the IMF might ask Pakistan to reconsider its targets.

Pakistani officials were optimistic the country's foreign exchange reserves, at $2.6bn, had created a comfortable cushion for Islamabad, a point that would weigh in its favour during talks with the fund.

The IMF programme was agreed two years ago amid a balance-of-payments criais wben the reserves dipped as low as $380m.

ASIA-PACIFIC NEWS DIGEST

Tokyo ministry in monopoly row

A Japanese debivery company has taken on the Ministry of Posts and Telecommunications in a row that highlights the difficulties in challenging the public monopoly on postal deliveries in Japan.

The ministry has warned Yamato Transport, a leading door-to-door parcel delivery service, that a service introduced by a subsidiary breaches Japan's postal law. Yamato Transport's unit in the southern island of Kyushu began a service delivering credit cards on behalf of card companies at rates about 10 per cent below those charged by the post office.

The ministry has insisted credit cards are letters over which the post office has a monopoly. The postal inspector's office, which has the authority to inspect any breaches of the postal law, could start an inquiry and possibly take Yamato to court over the issue.

Yamato says credit cards are not letters and is prepared to face the ministry in the courts. The company, which won a battle against the transport ministry over its parcel delivery service, is known for its refusal to buckle in the face of bureancratic pressure. *Michiyo Nakamoto, Tokyo*

US concern at Spratlys dispute

The commander of US Pacific forces yesterday voiced concern at rising tensions in the South China Sea as the Philippines said it had destroyed another Chinese marker in the disputed Spratly islands. Admiral Richard Macke said the US backed freedom of navigation in the Sea but deplored actions by some of the nations disputing ownership of the Spratlys.

"I am concerned with the actions of several countries that have increased the tension in the South China Sea," he said after a one-day meeting of the US-Philippines Mutual Defence Board. The meeting coincided with disclosures by Manila that its navy had destroyed a Chinese marker in the Spratlys in an apparent signal to Beijing that it would not allow intrusions into areas in the islands that it claims. *Reuter, Manila*

French arms sales in jeopardy

French arms sales worth up to $147m may be in jeopardy as New Zealanders vent their anger at France's decision to restart nuclear testing in the South Pacific (*depicted on the front page of a Sydney newspaper, left*). Officials said yesterday two French tenders to supply tha New Zealand armed forces were under review as part of a freeze on military co-operation.

They said Eurocopter, the Franco-German joint-venture, was one of four companies invited to bid for a $134m contract to supply up to six helicopters for the Royal New Zealand Navy. Matra of France was also competing with Hughes of the US to supply the army with surface-to-air missiles worth $18m. *Reuter, Wellington*

'Comfort women' fund outcry

The Japanese government'a plan to create a private fund to compensate women forced to provide sexual services for the *Japanese army during the second* world war has prompted an outcry from international citizens' groups.

Public funds – Y24bn ($279m) this fiscal year – will be funnelled through the Asian Peace and Friendship Fund for Women, but the plan has been seen as an attempt by the Japanese government to avoid taking direct responsibility over the issue. It has drawn criticism from South Korean legislators, citizen's groups and a Dutch group representing prisoners of war and the so-called comfort women.

The government only officially recognised the atrocities in 1991 and apologised in 1993. *Emiko Terazono, Tokyo*

■ China's consumer price index in May was 20.3 per cent higher than in May 1994, the State Statistical Burean said, and down from 20.7 per cent in April. *Reuter, Shanghai*

■ Japanese prosecutors have indicted 18 people on charges of violating the Anti-Monopoly Law, all allegedly involved in a bid-rigging scandal concerning public sewage projects. They are a former senior official of the Japan Sewage Works Agency and employees of Hitachi, Toshiba, Mitsubishi Electric, Fuji Electric, Meidensha, Yaskawa Electric, Nissin Electric, Shinko Electric, and Takaoka Electric Manufacturing. *Reuter, Tokyo*

THE GERMAN PFANDBRIEF

Safety and yield in a stable currency

German Pfandbrief gaining international recognition

The German Pfandbrief, which traces its roots back over 200 years, is a unique fixed income bond which combines an attractive yield with rock solid security. The term "Pfandbrief" has no recognisable equivalent in English.

The origins of the instrument in Germany date back to 1769 and to a decree issued by Frederick the Great which provided for secured credit for impoverished farmers, although it was not until 1900 that a formal legislative framework for the entire German market was established. This took the form of the German Mortgage Bank Act, which aimed at improving the efficiency of the country's capital markets and providing the maximum protection for investors. This law, coupled with the sound management of Germany's banking sector, has certainly been effective: since its passage, no German Pfandbrief issue has ever defaulted.

Germany's first pure mortgage bank was Frankfurter Hypothekenbank, which was founded in 1862. Two years later, Bayerische Hypotheken- und Wechsel-Bank, originally established in 1835, was also granted the right to issue mortgage bonds. Today, these two institutions remain in the forefront of a group of nearly 50 German banks which are privileged by law to issue Pfandbriefe. This group can in turn be subdivided into two categories of issuers. One is the group of private mortgage banks - which are governed by the Mortgage Bank Act of 1900. The other is made up of public-sector institutions - Landesbanks and special purpose public-sector banks, which are governed by the Public-Sector Pfandbrief Act.

Mortgage Pfandbriefe

While they appear very similar to investors, and while they trade on identical yields, German Pfandbriefe differ in terms of the collateral which support them. Mortgage Pfandbriefe are fixed income bonds fully collateralised by a separate pool of first mortgages on residential and commercial property. Quite distinct from the US-style mortgage-backed security, which uses an individual mortgage as its collateral, a number of very important safety mechanisms are built into the structure of the collateral backing mortgage Pfandbriefe. Continued on next page

Germany's Mortgage Banks in Perspective
Year-end 1994

	Total Germany DM billion	Mortgage Banks DM billion	Market Share %
ISSUING			
Domestic bonds outstanding	2,963.9	715.8	24.2
Domestic bank bonds outstanding	1,731.7	715.8	41.3
Pfandbriefe outstanding	1,103.7	653.2	59.2
LENDING			
Residential property	1,201.5	260.7	21.7
Commercial real estate	293.4	144.8	49.4
Federal, state, monicipal governments	625.8	250.1	40.0

PEX Index launched in Germany

Boosting liquidity and transparency in the Pfandbrief market

As a result of the growing requirement to generate more interest and participation from overseas investors, a wide range of initiatives have already been taken – or are now in the pipeline – aimed at improving the efficiency of the German Pfandbrief market, bolstering liquidity, and hence boosting international involvement in the market.

One of the most important of these has been the recent launch of benchmarks for the Pfandbrief market: the Price Index PEX, and the Performance Index PEXP. The PEX, which is the first of its kind, was created by the Association of German Mortgage Banks and the Association of Public Sector Banks in co-operation with the Swiss Institute of Banking and Finance of the University of St. Gallen, Switzerland, and Bloomberg. The index, which together with the DAX share index and the REX government bond index forms a family of indices, performs a number of important functions. The most obvious of these is that it allows investors to measure the performance of Pfandbriefe in comparison to other fixed income instruments tracked by a range of indices. Longer term, however, the creation of the PEX lays the groundwork for the eventual launch of a Pfandbrief future – which is viewed by many potential international investors as a sine qua non for the market's development, as it would allow them to hedge their Pfandbrief positions. The base date for the PEX index is December 30, 1987, is calculated daily, and can be accessed through Bloomberg terminals via the code PEX <GO>. Moreover, Deutsche Borse AG provides distribution of the index via its system Ticker Plant Frankfurt (TPF).

Another important measure aimed at bolstering transparency in the Pfandbrief market, and hence improving its liquidity, is the planned launch – probably towards the end of this year – of a new electronic bond trading system for German tap issuers. Most of these issues have hitherto been traded exclusively via the telephone. This "Renten-Offerten-System" (ROS) is being developed by Deutsche Borse AG and is modelled on Germany's existing and highly successful nationwide computerised trading system, IBIS (Integriertes Borsenhandels- und Informations-System). Ultimately, the ROS technology will allow market participants in financial centres around the world to submit bid and offer prices in primary and secondary trading and to trade at the touch of a button on a monitor screen around the clock. A similar system will be offered soon by Bloomberg, which will also help increase transparency.

A core holding for German investors

It is not difficult to identify why German retail and institutional investors have always felt comfortable with a substantial exposure to Pfandbriefe as a core segment of any domestic fixed income portfolio. First, they have been attracted by the obvious quality of the instrument, mindful of the fact that no investor has ever failed to receive full payment of interest and principal on a Pfandbrief held to maturity.

Second, domestic investors – who have historically favoured the fixed income market over equities – are attracted by the yield pick-up offered by Pfandbriefe. The normal yield spread between Pfandbriefe and bunds (German government bonds) has typically been in the range of between 25 and 40 basis points, although recent volatility in European bond markets has meant that nimble investors have been able to secure even higher pick-ups. At the beginning of 1994, for example, the spread on 10 year Pfandbriefe widened to 60 basis points, falling again to below 30 basis points by the middle of the year.

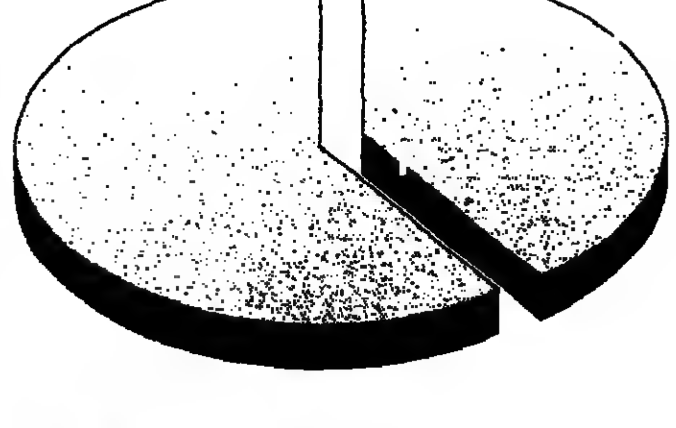
Third, German investors in the Pfandbrief market, especially retail investors, have historically been buy-and-hold investors. The safety of the Pfandbrief, coupled with the fact that they are issued by banks that in Germany are household names, has enabled investors to generate healthy and calculable long term income from exposure to the market, rather than short term capital gains through active trading in them.

Dr Walter Dieck, Chairman of the Marketing Committee of the Association of German Mortgage Banks, neatly summarises the attractions for German investors: "From a German perspective," he explains, "the purchase of a Pfandbrief represents the purchase of an instrument with a reliable income (Rente). Fixed interest is paid throughout the lifetime of the bond and full repayment of principal at maturity follows with absolute safety. Domestic investors are less interested in potential price fluctuations during the life of the Pfandbriefe, as these do not influence the guaranteed income. In sum, the Pfandbrief is more an income paper, rather than a performance paper, which makes it the most important component of any fixed income portfolio managed by German life insurance companies and pension funds." Dr Dieck adds that "it is the German Pfandbrief that makes Germany's 'long term' culture possible. Long term loans at fixed interest rates are possible only through Pfandbriefe."

Fourth, because of their outstanding quality, the Pfandbrief enjoys a special position in the German regulatory framework for institutional investors. For example, as part of the portfolio of German banks and securities companies, Pfandbriefe are privileged in terms of equity requirements. They are preferred as assets for insurance companies' reserves and can be used in the bundled assets of insurance companies in Germany. As well, increased maximum limits for securities from the same debtor apply to the special funds of German investment companies. Their eligibility as collateral for Deutsche Bundesbank money market repo transactions and their eligibility as trustee securities (mundelsicher) are further examples of the Pfandbrief's privileged status in the German market.

The German Bond Market
Domestic Issuers
Year-end 1994

Market Share of Pfandbriefe in Circulation



DM 3.0 TRILLION

A rewarding instrument for international investors

In spite of the obvious attractions of the German Pfandbrief, foreign investors have hitherto never been substantial players in the market. Available figures are purely anecdotal, but it is estimated that although the trend is rising, foreign investors account for ownership of no more than about 15 % of the total market, *compared with a share of* over 50 % in the bund market.

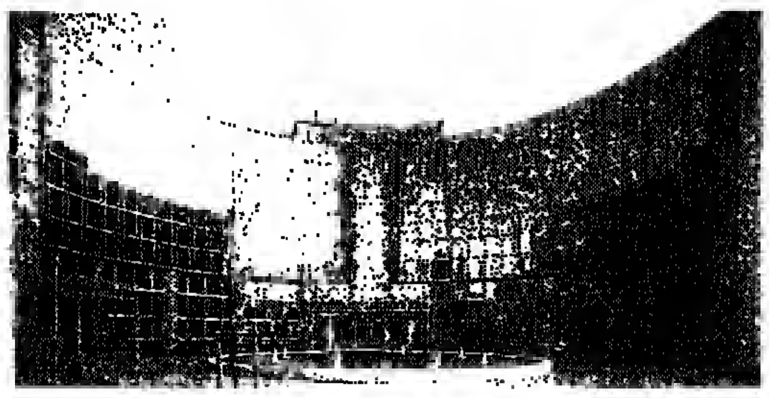
There appear to be two reasons why international investors have traditionally been much less important participants in the Pfandbrief market than in German bund trading. The first – which is rapidly losing credibility – is due to a fundamental misunderstanding of the instrument. Historically, international investors may *have tended to assume that the* Pfandbrief is a German equivalent of the US-style high risk asset backed security, which it is not. Asset backed securities in the US are collateralised by individual mortgages, sets of mortgages, credit card receivables and so forth. In Germany, the collateral of all outstanding mortgage and public Pfandbriefe of any mortgage bank must be kept in two separate pools. As research published by Frankfurter Hypothekenbank clarifies, this means that "there is no link between any individual collateral in the pool and any particular Pfandbrief issue, thus ensuring a high degree of risk diversification."

Concerns about liquidity

With most main international institutional investors now convinced about the quality of the Pfandbrief, the only reservation which they still appear to harbour concerns the liquidity of the instrument. International institutions with a requirement to be able to liquidate entire portfolios within seven days remain concerned that the Pfandbrief market fails to offer sufficient liquidity to meet this prerequisite, although the Association of German Mortgage Banks repeatedly insists that the most active issuers of Pfandbriefe do fulfil the preconditions for good liquidity.

At one of Germany's large Pfandbrief issuing banks, the Frankfurt-based Rheinische Hypothekenbank (Rheinhyp), Board Member Dr Karsten von Köller is vocal in his rejection of the illiquidity charge. "It's a mistake to say that the market is illiquid," he insists. "It depends entirely on what sort of investor you are. The market is certainly not illiquid for investors dealing in chunks of DM 5 or DM 10 or DM 20 million. The problem may start with DM *50 million or more*, but even with chunks of this size the larger banks will always buy back blocks of Pfandbriefe." So would an investor be able to liquidate a portfolio of Pfandbriefe worth, say, DM 150 million over a seven day period at a good price? "Yes, definitely," Dr von Koller asserts, "maybe not in one telephone call, but over a seven day period, certainly."

Standardised instruments of a uniformly high credit standing, Pfandbriefe are actively traded in the over the counter (OTC) market by a wide range of banks and securities houses, including a growing number of foreign institutions. Trading in Pfandbriefe is conducted on a yield basis, with a bid/ask spread of between two and three basis points on standard lots of DM 10 million. The larger issuers in the domestic market are committed to maintaining an active secondary market in their own paper, and domestic investors report that they have experienced few if any problems with selling Pfandbriefe as and when they need.



Growing international awareness

Prospects good for increased foreign participation

There are a number of reasons why it is hoped and believed that foreign investors will increase their exposure to the Pfandbrief market over the coming five years. The first of these is that there appears to be a growing acknowledgement among the international financial community that Pfandbriefe can offer a much more rewarding return on a German bond portfolio than other fixed income instruments.

A by-product of this is that the international financial community is increasingly focusing its sights on the Pfandbrief market. The most obvious example of this increased interest has come from international rating agencies. In June 1994, for example, Moody's published a review of the Pfandbrief market which was broadly positive, concluding that "the German Pfandbrief system is intrinsically strong and provides markets with mostly high investment grade securities." More recently, the London-based European credit rating agency, IBCA, issued a statement noting that Pfandbriefe are "inherently low risk investments." The report also recognised, however, that international investors have yet to benefit extensively from the opportunities offered by the Pfandbrief, adding that the bonds are "a well established and important part of the German domestic capital market and yet are not generally well understood by international investors."

While the debt of some German mortgage banks is rated, individual Pfandbrief issues are not. Rheinhyp's Dr von Köller believes this will change: "I'm convinced that over time German mortgage banks will secure ratings for their Pfandbriefe," he says, "simply because international investors are accustomed to the rating mechanism. They don't want to have to read two pages of detailed credit analysis. So we will have to adjust and to do what's necessary to attract international investors."

Growing international research

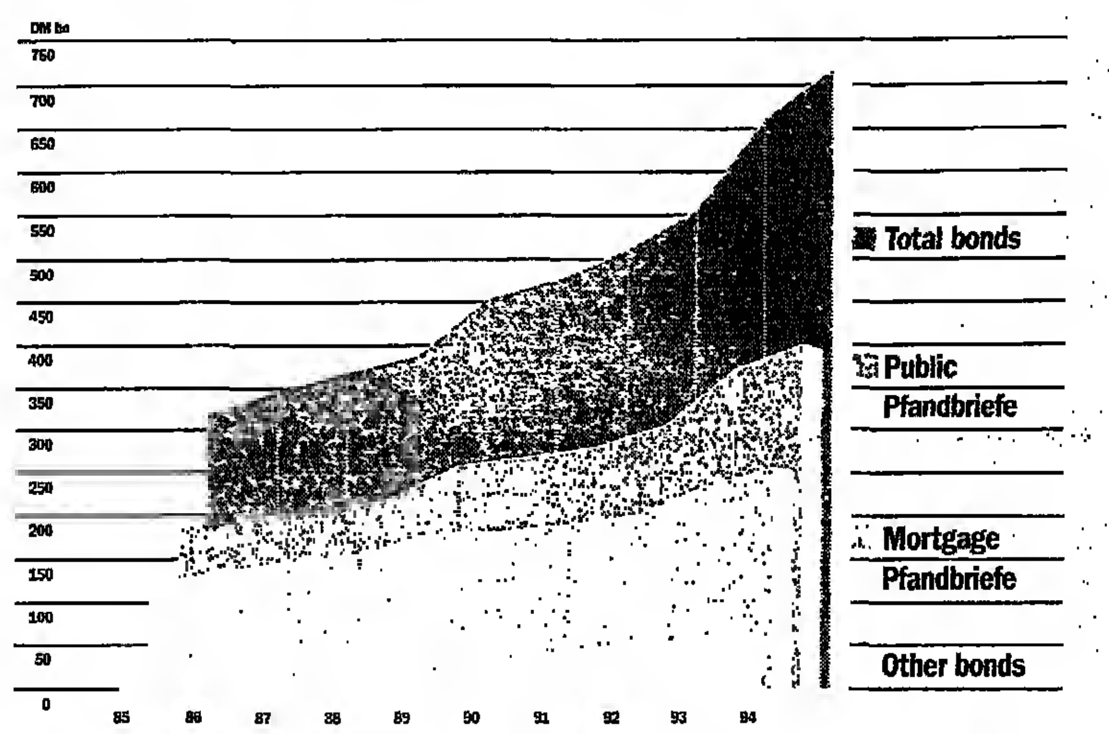
Equally encouraging has been the extent to which international investment banks have been devoting increased resources to analysing the Pfandbrief market, and to educating their institutional clients about the benefits of exposure to the instrument. In 1994, for example, Banque Paribas released an important report analysing what is described as German "domestic products for international investors." Like Moody's, Paribas in its report underlined the security of the Pfandbrief.

Although there is an abundance of fundamental reasons which suggest that the international investment community ought to increase its exposure to the Pfandbrief market, the Association of German Mortgage Banks is taking nothing for granted, and its members are working hard to enhance the international visibility of the instrument.

Additionally, however, Pfandbrief issuers have become increasingly conscious of the anomalous patterns of international involvement in the German bond market, which is heavily skewed towards the bund sector. In a financial community which is now clearly a global village, it is no longer acceptable that overseas investors should overlook the largest individual sector within the German fixed income market.

More important still, over the longer term, is that Germany's mortgage banks recognise that if they are to continue to expand their lending business they will need to focus increasingly on other Continental European markets. Herbert Otten, a Member of the Board of Management at the Hamburg-based Deutsche Genossenschafts-Hypothekenbank, explains: "Historically the German mortgage banks have been very strong in Germany, but they now want to extend their business across Europe. The Pfandbrief is not a very well known instrument in Continental Europe, and if the German banks want to finance real estate in France, for example, they will need to raise long term money in France at low cost. The most efficient way to do that is through the Pfandbrief market." Otten adds that in recognition of this, several of Germany's mortgage banks are now looking to secure internationally accepted credit ratings from the leading international rating agencies, such as Standard and Poor's and Moody's.

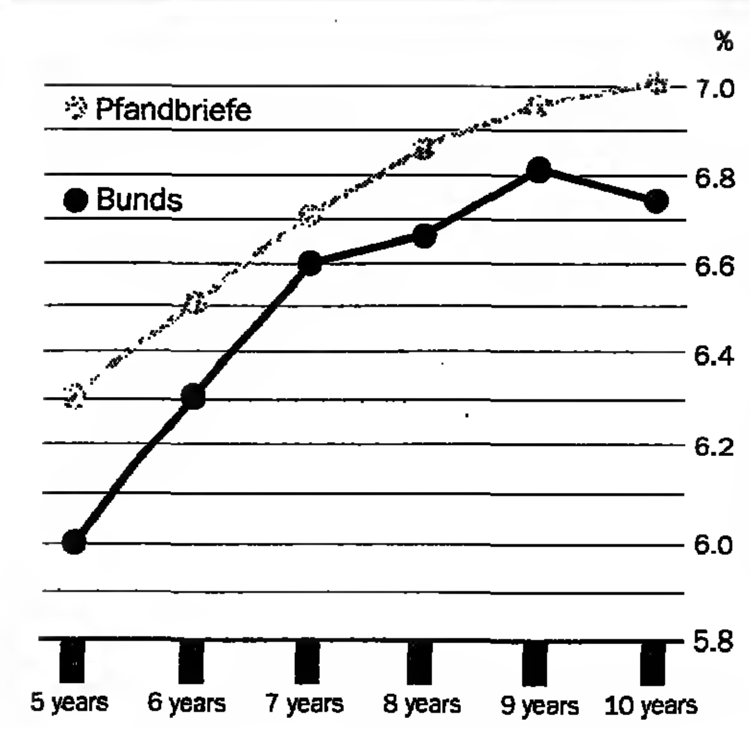
Mortgage Pfandbriefe, Public Pfandbriefe and other Bonds in Circulation 1985-1994 – Germany's Private Mortgage Banks –



DM million	Public Pfandbriefe	Mortgage Pfandbriefe	Other bonds	Total bonds
1985	184 047	120 677	9 741	314 465
1986	196 355	135 438	10 652	342 445
1987	204 996	146 667	13 410	365 073
1988	217 761	154 646	12 556	384 963
1989	256 131	178 021	16 071	450 223
1990	266 556	180 120	25 201	471 877
1991	278 181	189 148	39 862	507 191
1992	302 660	199 908	48 848	551 416
1993	369 383	233 419	56 019	658 821
1994	398 122	255 039	62 651	715 812

Source: Association of German Mortgage Banks

Yield Curve Comparison



Source: F.A.Z., June 1, 1995

Continued from previous page

The first of these is that mortgages eligible as pool collateral must not exceed 60 % of an individual property's value. The second is that properties eligible for inclusion within the pool must be conservatively valued, which means that valuation must be assessed primarily on the real value and the income that a property will be able to yield on a sustained basis. Prospective capital and rental appreciation of a property is not taken into account, so that historically the assessed value of the collateral backing mortgage Pfandbriefe has typically been between 10 % and 15 % below a property's actual market value. Another safety mechanism behind the mortgage Pfandbrief has nothing to do with legislation, but arises from the unusual structure of the German real estate market relative to most of its European counterparts. As Dr Helmut Scholz, President of the Association of German Mortgage Banks, points out, the commercial property market in Germany benefits from natural diversification.

The commercial real estate markets in the UK and France, Dr Scholz explains, gravitate mainly around the individual financial and business centres of London and Paris. Germany's federal system, by contrast, means that there are a number of different centres of gravity in the commercial property market – among them, Frankfurt, Düsseldorf, Berlin, Hamburg, Munich, and, more recently, Dresden and Leipzig. If the commercial property market in Paris or London were to turn sour, it would cast a shadow over the entire French or UK market; but if upheavals were to arise in, say, the Berlin or Munich market, this would not automatically mean a collapse for the real estate sector in Frankfurt or Düsseldorf, Dr Schulz explains.

Public Pfandbriefe

The other category of Pfandbriefe is the public Pfandbrief, which are fixed income bonds fully collateralised by a separate pool of loans to the public sector, or guaranteed by the public sector. The quality of this collateral is based on the high credit standing enjoyed by the German federal, state and municipal governments.

Although there are therefore technical differences between the collateral supporting each type of Pfandbrief, mortgage and public Pfandbrief issues have tended to be viewed by investors as offering identical quality, and both have therefore historically traded on identical yields.

Aside from the safety mechanisms which are built into the collateral that backs Pfandbrief issues, including the involvement of a state-designated trustee, there is an additional range of measures designed to maximise investor protection. In addition to general sulvency ratios the mortgage banks must observe special limits on the liabilities side.

The largest component of the German bond market

The historical importance of the Pfandbrief – both to investors and to the issuing banks – has meant that within Germany, the market accounts for the largest component of the fixed income market. At the end of December 1994, the entire German domestic bond market was worth DM 2.964 trillion. Of this total, Pfandbriefe accounted for DM 1.104 trillion, or 37 % of the market.

Boosted by demand for new housing following German unification, the primary Pfandbrief market has been especially active over the course of the last five years: between 1990 and the end of 1994, the total outstanding in the mortgage Pfandbrief market rose from DM 232 billion to DM 322 billion, while in the public Pfandbrief sector over the same period the total increased from DM 490 billion to DM 782 billion.

Pfandbriefe are standardised instruments, issued both in bearer form (which account for about *75 % of the market) and* registered form. Usually listed on Germany's stock exchanges, the size of Pfandbrief issues ranges from between DM 10 million and DM 1 billion, although a typical issoance size is between DM 50 million and DM 300 million. Maturities are generally of three, five and ten years, and interest is paid annually (on fixed income bonds) and quarterly or semi-annually on the less common floating rate issues. Domestic trades are settled within two days through Deutscher Kassenverein, while international settlement takes seven days and is through Euroclear and Cedel.

Harmonisation of Pfandbriefe

A stabilising force for Europe's financial markets

Dr Dieter Bellinger

Although in absolute terms the German Pfandbrief market is the biggest of its type in Europe, the original concept of the mortgage bank structure was not made in Germany, but in France. The first issue of a private sector mortgage bond bearing the same hallmarks as today's German Pfandbrief was placed by Crédit Foncier de France in 1852, following which a number of mortgage banks were established across Germany, modelled largely on the French bank.

But while France and Germany were Europe's breeding ground for the mortgage bank structure, today's market for mortgage bonds on the Continent are by no means limited to these two countries. At the end of 1992 there were a total of 135 mortgage banks operating in Europe. By the same date, these banks had outstanding mortgage and communal bonds in circulation worth some ECU 764 billion. Germany accounted for the lion's share of this total, with bonds in circulation amounting to ECU 485.5 billion (67% of the total). Other important markets were Denmark, which is the largest of Europe's mortgage bond markets in proportion to GNP, and accounted for ECU 105.6 billion (13.8%), Sweden (12.22%), Italy (6.75%), France (3.86%) and Switzerland (2%). Much more recently a handful of countries in central and eastern Europe have started to develop a regulatory framework to encourage the development of the system, with the Czech Republic leading the way. Conspicuous by its absence in the inventory of European countries issuing mortgage bonds is the UK.

Focus on pan-European market

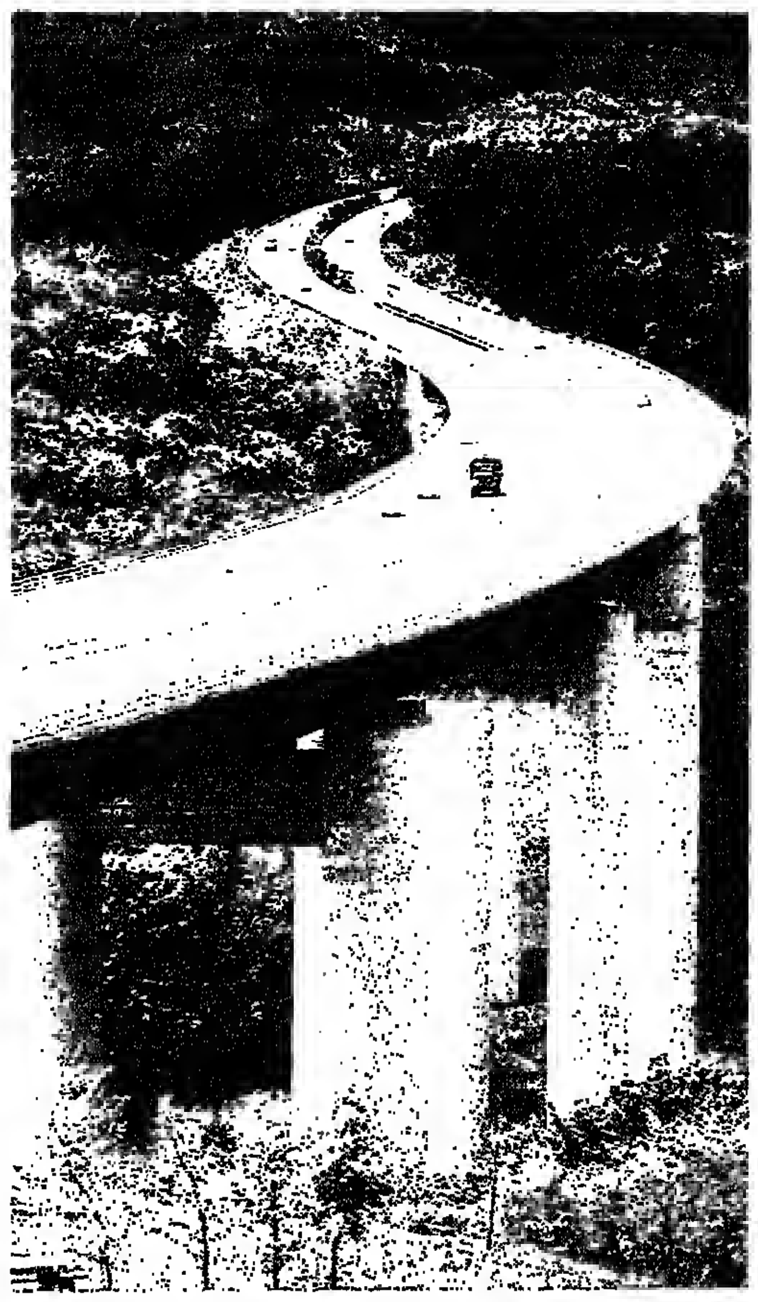
While there is a well-developed market for mortgage bonds across almost all of Europe, a pan-European market has yet to take shape, in spite of the best efforts of the Association of German Mortgage Banks to promote and assist in its growth. One of the foremost champions of the concept of a pan-European market for Pfandbriefe, mortgage bonds or whatever other name EU members wish to give them, is Dr Dieter Bellinger, Managing Director of the Association of German Mortgage Banks. Dr Bellinger, who is also a member of the European Mortgage Bond Committee explains: "The Pfandbrief system is well known throughout Europe, and the fundamental principles are the same in most markets, although the exact rules and regulations differ."

The European Mortgage Federation has discussed the possibility of harmonisation of these rules and regulations with officialdom in Brussels since 1979. Originally, he recalls, European Community (EC) authorities had viewed the proposals with favour, before ultimately deciding instead to settle for the principle of mutual recognition. But harmonisation of the mortgage bond market must eventually come, Dr Bellinger insists. "There has to be a harmonisation of mortgage bond regulations," he says. "We've seen harmonisation of solvency regulations, large exposure regulations and so on. In line with the Maastricht Treaty we will see harmonisation of currencies, and although 1997 is looking unlikely I believe that by 1999 we will see a common European currency. When that happens, investors in Pfandbriefe will no longer be focusing on the currency implications. Instead, they will be looking at the security behind the bond. And the security will have to be the same, whether it be in Germany, France or Denmark."

Stability from fixed-interest investments

Dr Bellinger is convinced that the adoption of a standard pan-European framework for a mortgage bond market would act as a stabilising influence for financial markets across the Continent. While a Europe-wide regulatory framework need not, he says, conform minutely with the tried and tested Pfandbrief system, he believes that a mechanism which is constructed around fixed-rate long term investments – familiar in markets such as Germany, Austria and Switzerland – is more conducive to stability in currency markets, inflation and interest rates than the UK system in which variable rates predominate.

He points to two pieces of evidence to support the theory. First, he says, "while every country sees ups and downs in property values, the amplitude of that volatility in the commercial sector is much higher in France and the UK than it is in Germany." Second, he points out that the very existence in the UK of two sets of monthly inflationary figures is in itself indicative of some form of shortcoming in the structure of the market for property finance: "It's always been a curious thing to me that in the UK there is an inflation figure including mortgages and one excluding mortgages."



Advantages for investors

Holders of Pfandbriefe benefit from a number of essential advantages that make these bonds an outstanding investment for a modern portfolio.

Safety
Thanks to especially stringent requirements stipulated by Germany's Mortgage Bank Act, the German *Pfandbrief* system is unsurpassed for safety, offering security equivalent to that of German government bonds (bunds).

Yield
No German Pfandbrief issue has ever defaulted and no investor has ever failed to receive 100 percent repayment on a Pfandbrief held to maturity. Despite this exceptional degree of safety, yields on German Pfandbriefe are usually higher than on bunds.

Liquidity
Although most investors hold German Pfandbriefe to maturity, the bonds are quoted on German stock exchanges, and German mortgage banks actively maintain a well functioning secondary market in them. In addition, Pfandbriefe are accepted by the Bundesbank as a basis for Lombard credit.

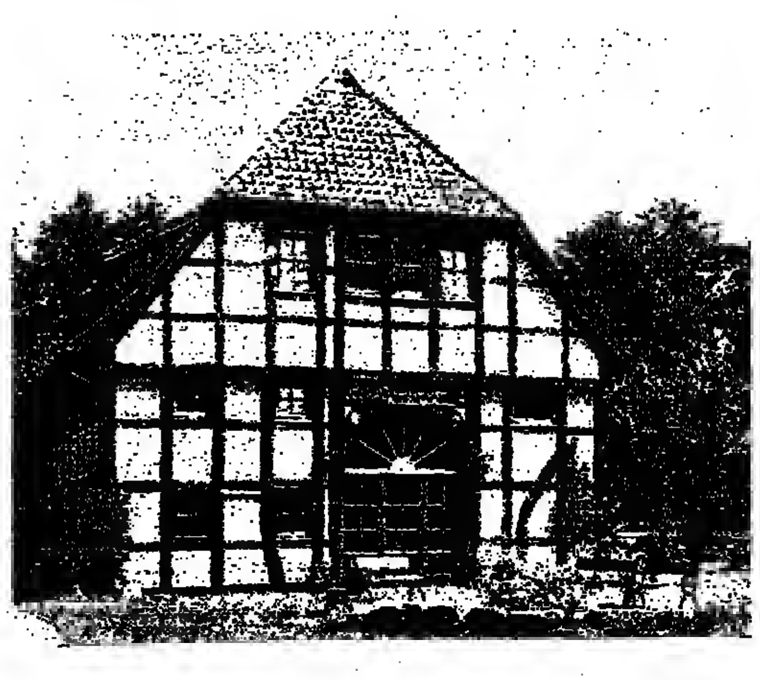
Flexibility
Because German Pfandbriefe are issued in line with current financing needs, there is a vast range of issues and maturities available, usually between one and ten years but sometimes up to 25 years.

A standardised product
Unlike US-style mortgage-backed securities, the German Pfandbrief is a standardised product. In fact, the name "Pfandbrief" is legally protected and may not be applied in Germany to any other security.

An accessible product
German Pfandbriefe are readily available in Germany. And with accelerating liberalisation and harmonisation of the EU's capital markets, foreign investors face fewer obstacles to acquiring this quality DM-denominated paper in their home market.

A time-tested system
The Pfandbrief idea in Germany dates back over 225 years to the time of Frederick the Great. The use of Pfandbriefe and the legal framework surrounding them have stood the test of time, offering investors a fixed interest DM instrument of choice and quality.

Easy to buy
Pfandbriefe can be purchased at any mortgage bank or commercial bank in Germany, or their correspondents abroad.



The German Pfandbrief Glossary of terms

Many terms used in any description of the German Pfandbrief system have no precise English translation. This is a selection of the most widely used of these:

Bund
The German bund is the abbreviated term describing Government Bundesanleihen, which have traditionally been the main long term borrowing vehicle of the German Federal Government. Most issues have a maturity of 10 years although a market for 30 year government bonds has recently been established. As bunds are considered by foreigners the lowest-risk fixed income security with the highest liquidity available in the German capital market, all other German bond issues tend to trade at a spread discount to bunds. In the case of Pfandbriefe this spread has tended to be in the order of between 20 and 30 basis points, although it has recently risen as high as 60 basis points.

Bundesaufsichtsamt für das Kreditwesen – BAKred
Germany's Federal Banking Supervisory Authority. The mortgage banks are subject not only to the general supervision of the BAKred but also to its special supervision in line with the stringent provisions of the Mortgage Bank Act. The Pfandbrief's safety and the highest standards of collateral quality have top priority.

Hypothekenbanken
Governed by the Mortgage Bank Act of 1900, German private mortgage banks are specialists in property finance and public-sector lending. They are the only German banks in the private sector authorised to issue Pfandbriefe, which is a major segment of the capital market. Many mortgage banks are members of large German banking groups. Three "mixed" banks – Bayerische Vereinsbank, Bayerische Hypotheken- und Wechsel-Bank and Norddeutsche Hypotheken- und Wechselbank – are allowed to conduct both universal and mortgage banking, as each of these was founded prior to the creation of the Mortgage Bank Act.

Hypothekenbankgesetz (HBG)
Germany's oldest banking legislation, the Mortgage Bank Act. Although it has been amended several times over the last century, the fundamental principles of the law, aimed at investor protection, still stand today.

Hypothekenpfandbriefe
Bonds fully collateralised by residential and commercial mortgages granted by the issuing bank. As of the end of December 1994, the total mortgage Pfandbriefe outstanding was DM 322 billion.

Kommunalobligationen
Literally "Communal bonds". An alternative term for Öffentliche (Public) Pfandbriefe.

Landesbanken
Central banks of the savings banks sector organised as public institutions. As a rule, they are owned by regional savings banks associations and the federal states. There are 12 of these, and they are authorised to issue Öffentliche (Public) Pfandbriefe.

Öffentliche Pfandbriefe
Bonds covered by public-sector loans. As of the end of December 1994 the total of Öffentliche (Public) Pfandbriefe outstanding was DM 782 billion.

PEX
The acronym given to the index recently launched tracking the performance of German Pfandbriefe.

Pfandbrief
There is no direct translation for the word Pfandbrief in English. The Pfandbrief (of which the plural is Pfandbriefe) is a special instrument created to fund residential and commercial property as well as public-sector loans. Pfandbriefe are fully collateralised and come in two varieties – Hypotheken (Mortgage) Pfandbriefe and Öffentliche (Public) Pfandbriefe.

ROS
The acronym for the planned "Renten-Offerten-System", the new bond electronic trading system planned for late 1995 in Germany.

Treuhänder
Trustee. The Mortgage Bank Act requires the supervisory authority to appoint a trustee whose task is to ensure that the statutory cover is maintained at all times.

Verband deutscher Hypothekenbanken
The Bonn-based Association of German Mortgage Banks.

"Perhaps one day we'll have a common European Pfandbrief market."

Interview with Dr Helmut Scholz, President, Association of German Mortgage Banks

Can you explain why the Association of German Mortgage Banks would like to see more active participation in the Pfandbrief market by foreign investors?

I think there are two answers to your question. Firstly, of course we are looking forward to European Monetary Union and increased harmonisation within the European capital market. It is true that up to now we've had no problems at all selling our bonds in the German capital market. German investors have traditionally been very familiar with the Pfandbrief. But we recognise that we have to go international one day. Not necessarily tomorrow, but in the foreseeable future. So we want international investors to be more active participants and to have a better knowledge of the German Pfandbrief.

On the other hand, international investors have been indeed active in the German capital market for the last 10-15 years, and over that time they have looked more and more closely at German bonds. But they have looked mainly at the German government bond – the bund. Why? Because it is well known internationally and there is no doubt as to its quality. But – and this is the second part of the answer to your question – the preference of international investors for the bund has led to a hitherto unknown spread between bunds and Pfandbriefe which in our view is not justified on the basis of quality. Although the collateral and the legal framework surrounding Pfandbriefe are equal in quality to the bund, this does not appear to be so in the eyes of international investors. So the fact that there is a spread of 10 and sometimes up to 50 basis points has meant that it has become more expensive for us to refinance our lending activities. So we are trying to make the Pfandbrief a well known instrument Europe-wide, and to convince international investors that while the quality is legally not exactly the same as the bund, it is equal.

Are you satisfied that foreign investors fully understand the structure of the German Pfandbrief market and the nature of the collateral which backs the instrument?

Not yet. We recognise that we have to do more international presentations in the main European financial centres, and we are very keen to inform international investors about the quality inherent in the Pfandbrief system. The Pfandbrief is not simply a bond, it is an integral part of a system for financing long term investment, not just in real estate but throughout all areas of the public sector. So there are two sides to the issue. Long term lending and exactly matching funds in the capital market. On the one hand, there are investors who need high quality paper, and on the other there are borrowers who need a safe and secure long term financing instrument. We have to look at both sides of this equation. We are certainly encouraged that more and more interest is being shown by the rating agencies, of course. Moody's, for example, and the IBCA in London have both published very positive reports on the structure of the Pfandbrief market. But overall I am not yet satisfied about the level of knowledge internationally, and this is what we are working so hard to improve.

What attractions are offered by the German Pfandbrief market which are not available in other instruments?

If you look at absolute levels of quality and safety, then of course the bund has to be number one because Germany is not going to go bankrupt. But the Pfandbrief must certainly rank as number two, because it is a fully collateralised bond and is of a much higher quality than any other bond issued by any private sector institution. It offers a higher yield over bunds because of the preference on the part of international investors for the bund. But it also offers unrivalled security because of the collateral and – unlike mortgage-backed securities – the full liability of the issuing institution. Moreover, Pfandbriefe are accepted as collateral for the Lombard rate. Even a triple-A rated bank bond will not offer the same level of quality as the Pfandbrief.

How important is the Pfandbrief market in the context of the German economy as a whole? To what extent does it play a role in stabilising the economy?

It plays a very important role, indeed, for two reasons. On the capital market the mortgage and public Pfandbriefe account for nearly 40% of the entire domestic bond market, so stability in the Pfandbrief market obviously supports stability in the capital market as a whole.

Second, as a long term financing instrument for investment in real estate and in public authority projects it has an equally stabilising influence. About 80% of all loans granted to public authorities in Germany are accounted for by Pfandbriefe, and only 20% through other means. On the other hand, between 20% and 25% of all residential real estate financing is through fixed interest Pfandbrief issues. More important is the commercial property sector where two thirds of all financing is through the Pfandbrief mechanism. This means that as an instrument for long term fixed rate financing, the Pfandbrief is one of the most important vehicles in Germany, which explains the role it plays in stabilising markets. If you have long term fixed interest finance over five to ten years supporting key investments within an economy it must suggest a stabilisation of the economy as a whole.

As Bundesbank President Mr. Tietmeyer recently pointed out, long term orientation is very important for the security of investments. Because of the stability which is built into the system it is less likely that there will be bubbles in the German property market and in the German financial market as a whole than in other markets. So the Pfandbrief is an important agent in reducing volatility across the whole spectrum of the financial and property markets.

If that is the case, do you believe that the Pfandbrief structure will play an increasingly important role in other Continental European financial markets over the medium to long term?

As I see it, a problem arises from the strategy of international investors at the moment, by which I mean that their emphasis is on performance over the short term. International investors tend to be buy-and-sell investors. In Germany, the strategy of institutional investors has traditionally been constructed around a buy-and-hold mentality. German insurance companies, in other words, are interested in the long term. They buy bonds and hold them to maturity, which in the case of Pfandbriefe is usually 10 years.

Today, largely because of the competitive influence of international institutions, I think that German institutions may change their strategy and start to adopt an international approach. Rather than act as buy-and-hold investors they may begin to trade more actively. That would mean more volatility in the market.

What we would like to see – and what we hope to see – would in the end be a mixed strategy for all investors. They would not necessarily be investors who bought and held to maturity, but nor would they be very short term oriented investors. That would ultimately bring much more stability to all European markets. For Germany it would probably mean a slight increase in volatility, but for Europe as a whole it would bring increased stability.

Do you think there will ever be a European Pfandbrief market?

Remember that the Pfandbrief system is not just restricted to Germany. It is well known in a wide range of European markets – in Austria, in Denmark, in Sweden and Switzerland, for example. It may become increasingly important in markets like Spain and Portugal. My hope is that every country in Europe will be able to harmonise the framework of their individual Pfandbrief systems to bring the market to life at a pan-European level, which of course would bring more stability to Europe's capital market.

In Germany, the Association of Mortgage Banks is doing its best to increase international awareness of the Pfandbrief system. Of course our priority is to promote the German Pfandbrief, but if we can do this successfully it will also inevitably boost interest in all European Pfandbrief systems. So perhaps one day we'll have a common European Pfandbrief market. Why oot?

Of course this will go hand in hand with the increasing harmonisation of European real estate financing systems, which differ considerably from market to market. The system in the UK is very different from the system in Germany. We obviously do not intend to promote the German system as the best of all. There may be strong advantages in the French or the Danish system. What we're saying is that there has to be some degree of harmonisation, perhaps through a combination of the strongest elements of a number of different European systems.

But at the same time, we are justifiably proud of the fact that the German system has been effective for more than two centuries, and we firmly believe that the stability in recent times of the German currency is due to a certain extent to the stability of the German capital market, in which the Pfandbrief plays a central role.

International investors often complain that while the quality of the Pfandbrief is beyond question, there is insufficient transparency and liquidity in the market. What steps are being taken to improve this and hence to encourage the participation of more international investors?

A very important first step – and we must emphasize that it is only a first step – was the creation of the Pfandbrief price index, the PEX and the Pfandbrief performance index PEXP. Another important development is the launch of the ROS electronic trading system which will provide up to date information on market participants' screens. This is a very necessary step forward, because transparency is important not just for international investors but more and more for German investors as well. Both these initiatives lay the ground-work for future improvements, such as the introduction of a Pfandbrief future. So I am very confident that over the longer term we will see much more transparency in the Pfandbrief market, which will certainly encourage more active participation on the part of international investors.

At the same time, we are intensively discussing new ways of enhancing liquidity in the Pfandbrief market. Solutions could be not only larger issues but also bundling and standardisation of a number of issues by different issuers. I am sure we will come up with solutions that will meet the requirements of future international markets.

Germany's Mortgage Banks

- DEPFA-BANK, WIESBADEN
- BAYERISCHE VEREINSBANK AG, MÜNCHEN
- HYPO-BANK, MÜNCHEN
- DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
- RHEINHYP, FRANKFURT
- DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
- FRANKFURTER HYPOTHEKEN-BANK AG, FRANKFURT
- DEUTSCHE CENTRAL-BODENKREDIT-AG, KÖLN
- BAYERISCHE HANDELSBANK AG, MÜNCHEN
- WESTHYP, DORTMUND
- BERLIN HYP, BERLIN
- SÜDDEUTSCHE BODEN-CREDITBANK AG, MÜNCHEN
- MÜNCHENER HYPOTHEKEN-BANK EG, MÜNCHEN
- HAMBURGHYP, HAMBURG
- WÜRTTEMBERGER HYPO, STUTTGART
- NÜRNBERGER HYPOTHEKEN-BANK AG, NÜRNBERG
- HYPOTHEKENBANK IN ESSEN AG, ESSEN
- DEUTSCHE HYPOTHEKENBANK (ACT.- GES.), HANNOVER
- BRAUNSCHWEIG-HANNOVERSCHE HYPOTHEKENBANK AG, HANNOVER
- ALLGEMEINE HYPOTHEKEN-BANK AG, FRANKFURT
- RHEINBODEN HYPOTHEKEN-BANK AG, KÖLN
- LÜBECKER HYPOTHEKEN-BANK AG, LÜBECK
- NORDHYPO BANK, HAMBURG
- BFG-HYPOTHEKENBANK AG, FRANKFURT
- WL-BANK, MÜNSTER
- HYPOTHEKENBANK IN BERLIN AG, BERLIN

For further information about German Pfandbriefe, please contact
The Association of German Mortgage Banks (VDH) in Bonn. Fax (228) 9590244.

The economy Ominous pressure appears on consumer prices ■ Stores face strong squeeze on margins

Car output in May up 9.4% year-on-year

By Haig Simonian and Gillian Tett

UK car output reached its highest May level for 17 years last month as production of cars and trucks continued to rise strongly on the back of additional capacity and strong exports.

Total car production rose 9.4 per cent to 140,642 compared with May last year. Output for export soared by 17.8 per cent to 63,102, helped by sterling's weakness against many other European currencies and the growing contribution of UK factories owned by Japanese car manufacturers.

However, analysts warned that the surge in export sales appeared to be slowing – a trend that may cast doubt on the chances of last year's remarkably strong growth in overall exports being repeated.

Between September 1994 and April 1995, production for export exceeded domestic output for the first time since records began in 1977. Last month, however, the pattern was reversed, fuelling debate about the relative rates of economic recovery in the UK and western Europe.

Car production in the first five months rose by 12.9 per cent to 684,764, reinforcing expectations that output levels in 1995 will be among the highest for years. Exports surged by almost 44 per cent to 351,130 in spite of the static trend in car sales in much of western Europe this year.

Output of commercial vehicles rose substantially last month. Production for the UK rose 22.5 per cent to 21,505 while export output increased by 22.6 per cent to 8,945, according to provisional figures from the government's Central Statistical Office.

"The upward trend for both cars and commercial vehicles is continuing apace," said Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders. "The strong performance of overseas production reflects the inroads car manufacturers in Britain are now making into world markets."

Total commercial vehicle production in the first five months of the year climbed almost 12 per cent to 106,549, with output for the home market rising by 15.3 per cent to 60,865 and production for export up by 7.3 per cent to 45,684.

Doubts on inflation target grow

By Gillian Tett, Economics Staff

Retail price inflation edged up last month, fuelling doubts in the City of London about the ability of Mr Kenneth Clarke, chancellor of the exchequer, to achieve his inflation target.

The government's Central Statistical Office said yesterday that underlying inflation – which excludes interest payments on mortgages for housing – rose to a seasonally adjusted 2.7 per cent in May from 2.6 per cent in April. Headline inflation, which includes all items, rose from 3.3 per cent to 3.4 per cent.

Although this level is low by historical standards, it is the fifth consecutive month in which price growth has been outside the government's target of bringing underlying inflation below 2.5 per cent by the end of the current parliament.

Mr Clarke said on Wednesday that he would extend this 2.5 per cent target beyond that time – albeit with a secondary upper limit of 4 per cent if unexpected price shocks occurred.

His announcement was viewed with some scepticism in the City, amid fears that he might use the broader target to avoid politically unpopular base rate rises. Mr Clarke repeated that he remained committed to the 2.5 per cent target.

However, yesterday's figures showed that manufacturing price pressures are increasingly feeding through to shops. Non-seasonal food prices showed the largest monthly rise in May for 13 years – a hint that last year's supermarket price wars may be easing. Household goods prices also showed their sharpest monthly rise for four years.

Although leisure goods prices fell, they rose in most other sectors. Consequently, "core" price inflation, which excludes tax and housing costs, rose to 2.2 per cent in May – its highest level for 18 months.

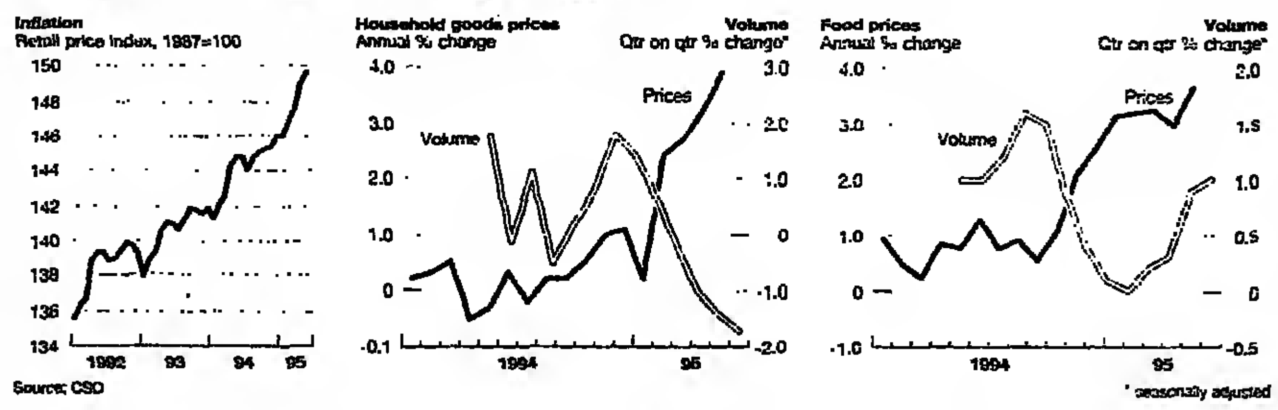
Mr Adam Cole, UK economist at brokers James Capel, said: "Retailers are now less prepared to slash prices to gain volume. This is a very worrying development – inflation pressures further back in the supply chain are already intense and the chances of this spilling over into retail prices are increasing."

Consumer spending, however, remains relatively muted. Although the volume of retail sales in May was 0.2 per cent higher than in April, it was a mere 1.1 per cent higher than the same period a year before.

Mr Michael Saunder, economist at Salomon Brothers, said: "We had previously expected further base rate hikes in the coming month to push inflation back below 2.5 per cent. However, the chancellor's apparently relaxed approach to an overshoot of the target casts doubt on whether this will happen."

● Mr Clarke will make his annual statement about the national Budget and fiscal changes for the coming year on November 28, the government announced in the House of Commons yesterday. It will be only the third Budget to be held in the autumn. There will be time for only one further November Budget before the last possible date – in 1997 – for the general election.

Retailers test the market for higher prices



Source: CSO

* seasonally adjusted

Retailers play cat-and-mouse game with customers

But with retail sales remaining muted, many shops seem to be engaged in a delicate cat-and-mouse game with consumers, our Economics Staff writes. It remains unclear how far consumers will tolerate price increases. Sales have risen in food shops, but the household goods sector has seen a fall in business.

Mr Jonathon Loynes, UK economist at Midland Global Markets, said: "Given the weakness of the housing market, the chance of household goods shops making their prices stick looks slim." However, rising raw material and packaging costs have left many shops facing a fierce squeeze on margins. Some economists fear that retailers are now determined to raise prices in spite of weak consumer confidence.

Ms Helen Macfarlane, UK economist at Hoare Govett, said: "There appears to be a limit to the margin squeeze retailers can tolerate. Consumer demand may be subdued, but it no longer seems to be depressing the passing on of cost pressures as much." The Central Statistical Office said yesterday the retail prices index was 149.6 in May, with 100 representing the base year of 1990. This was 3.4 per cent higher than in the previous May, and 0.4 per cent higher than April.

Retail sales also rose, running 0.2 per cent higher in volume terms in the three months to May, compared with the previous three months. Overall spending grew 0.2 per cent between April and May, and by 1.1 per cent over the year.

But although this modest sales growth suggest that some price rises have been tolerated by consumers, the figures conceal a distinctly patchy picture. In the food sector, prices rose 1.7 per cent in May. However volumes also grew, rising 1 per cent in the three months to May compared with the previous three months. A CSO statistician suggested that this indicated that supermarkets were increasingly competing by using customer services such as loyalty points rather than cutting price.

Indeed, supermarkets themselves have recently indicated that although competition remains intense some are being forced to put up some prices. Higher prices for materials such as paper, pulp and plastics are pushing up packaging costs, while some commodity prices are also rising.

Tesco, one of the UK's biggest food retailers, told analysts at its annual meeting last week that price inflation in its stores was running at more than 3 per cent, the highest rate for some time.

Celebrating the millenium

Donation may wipe out bitter pit memories

By Ian Hamilton Fazey in Manchester

Bitter memories linger in Yorkshire over the great, lost miners' strike of 1984-85. The Millennium Commission now has the power to wipe some of them away in the Dearne Valley between Doncaster and Rotherham.

Here stood the pitheads of Cadeby Main and Denaby Main. Next month the £1.5m ($2.35m) first stage of the Earth Centre, a museum of the environment, will open on the Cadeby site.

The commission has to decide whether to give £50m towards a £125m plan to expand it into 350-acre international museum of the Earth, which would be a new local industry in its own right, with hundreds of new jobs. The commission administers the Millennium Fund, one of the five "good causes" intended to benefit from money spent in the National Lottery.

"It would be the third golden age for Cadeby and Denaby," says Mr Gerry McLister, a youth worker and amateur local historian, who photographed and chronicled the demise of the pits.

He puts the first in tha Middle Ages, when the nearby Conisbrough Castle symbolised the importance of the area. The second was during the great age of deep coalmining, when the area's Barnsley seam was being worked between 1893 and 1986. The third would put the unusual geology of the area – itself the source of coal – to new use.

"What we have is a natural magnesium limestone escarpment which has created some rare habitats for flora and fauna," says Ms Penni Mawson, an Earth Centre executive. There are already several protected areas of special scientific interest, as well as two rivers and a canal. Expansion plans includa an organic fish farm.

The project has created interesting alliances. Its chief executive is Mr Jonathan Smales, former director of Greenpeace and famous challenger of the established order. Its president is Sir Crispin Tickell, former scion of the establishment as UK ambassador to the UN, although his green credentials include persuading Baroness Thatcher of tha need to take global warming more seriously.

An array of powerful supporters includes Doncaster borough council, British Coal, the Forestry Authority, the Countryside Commission, the National Rivers Authority and the Dearne Valley Partnership of public and private sector leaders.

With friends like these, the project has already persuaded Brussels to give £870,000 from its funds for softening the blow of European coal closures.

Russian complaints about visas to be met

By Scheherazade Daneshkhu Leisure Industries Correspondent

Action is being taken to meet complaints by Russian travellers about the processing of visas for Britain, the British Tourist Authority said yesterday. It said at the launch in London of a campaign to attract more Russian visitors to Britain that there had been numerous complaints from Russian citizens about harsh and arbitrary treatment in granting visas.

Britain had been named as one of the worst offenders, but more staff were being recruited to process visa applications, and only 2 per cent of applications were now rejected.

Russians do not need visas to visit most east European countries, Turkey and Egypt, while Cyprus recently lifted the requirement for those spending less than 90 days in the country. The number of Russians travelling abroad has increased from 2.5m in the mid 1980s to 5.5m last year, of which 2.3m are tourists. Turkey, Spain, Cyprus and Greece are among Russian tourists' favourite destinations, while Britain does not appear in the top 10.

Last year fewer than 1 per cent of holders of Russian passports, or 106,000 people, visited Britain. Most of those were students learning English. This year the British Tourist Authority hopes to attract 20 per cent more visits.

The prime minister's agonies deepen

Minister heaps scorn on anti-EU 'xenophobes'

By Kevin Brown, Political Correspondent

Mr Kenneth Clarke, the chancellor of the exchequer, yesterday dismissed rightwing critics of Mr John Major as xenophobes, raising the temperature of Westminster infighting over the prime minister's hold on his job.

As Mr Major flew to Canada for the summit in Halifax of leaders of the Group of Seven industrialised countries, Mr Clarke and other pro-European MPs launched a robust counter-attack against rightwing MPs pressing the government to rule out a single currency forever.

Mr Clarke told BBC radio that Eurosceptic Tory MPs, who gave Mr Major an almost unprecedented grilling in a confrontation on Tuesday, were risking the future of the government by diverting attention from the fight against Labour.

The chancellor said it would be "quite foolish" for Mr Major to bow to rightwing demands to rule out a European single currency "before we have even completed the discussions of how it might work".

Mr Peter Temple-Morris, a senior member of the Positive Europe group of Tory MPs, warned that pro-Europeans "would not accept" any change in the government's intention to decide in the next parliament whether to join a single currency.

Mr Jeremy Hanley, party chairman, led attempts to calm fevered backbenchers, pointing out that predictions of a challenge to Mr Major last year came to nothing because rightwingers failed to secure enough signatures of MPs to trigger a leadership election in the party.

Some rightwingers also called for calm. Sir Peter Tapsell (Lindsey East) said he was "extremely irritated" by Eurosceptic attacks on Mr Major, which were "entirely counterproductive to everything we are seeking to achieve".

However, speculation that a contest is now inevitable was given fresh impetus by Mr Bill Walker, a senior Scottish Conservative backbencher. He told BBC radio that "the likelihood of a leadership challenge is more real now than it has ever been". Mr Clarke also annoyed rightwingers by dismissing rightwing demands for early tax breaks to restore the missing "feelgood" factor. He said that "gimmickry" would not win the next general election for the Conservatives.

The chancellor also played down the prospects for intervention in the depressed housing market, blamed by many Conservative backbenchers for the government's low standing in the opinion polls.

"Most of the special measures I keep reading about seem to me not likely to have any effect on the housing market," he said.

Mr Tony Newton, leader of the Commons, also appeared to rule out a housing market package. Standing in for Mr Major at question time in the House, he told MPs that the problem of negative equity – where the size of a mortgage is greater than the value of a property – had declined "sharply" since 1991-92.

However, a senior cabinet minister said the government was considering making private insurance for the care of elderly parents deductibla against either income tax or inheritance tax. Alternatively inheritance tax might be abolished.

The intention would be to ensure that parents were able to bequeath houses to their children, damping middle class complaints that families are often forced to sell houses to pay for care no longer provided by the state health service.

A Conservative MP conceded yesterday that the Labour party was likely to win the next general election. In a magazine article which called on British business to "build its contacts with Labour now" rather than wait for the party to get into government, Mr Dudley Fishburn, Conservative MP for Kensington in London, gave detailed advice to readers on how to contact influential opposition spokesmen. He also provided flattering pen portraits of most of them.

Mr Alistair Darling, the party's spokesman on City of London affairs, was described as "educated, intelligent, undoctrinaire." Mr Geoff Hoon, a Labour whip, was seen as "just the kind of bright spark that any business would do well to bounce ideas off."

Laura Ashley chain acquires 'quite a force' from US

Neil Buckley on the British task which awaits the top executive from Kay-Bee

The new chief executive of Laura Ashley, Ms Ann Iverson, joins a business that never quite made the leap from cottage industry to international manufacturing and retailing group.

Analysts rate her chances of succeeding at Laura Ashley as evenly balanced. "She is quite a force," said one. "She's the sort of person that is needed for the job."

The quintessentially English group, which likes to think of itself as selling a "lifestyle" rather than merely flowery frocks and chintzy curtains, performed well in the early years after its 1985 flotation. But as with some other clothing retailers, its performance in the buoyant 1980s masked underlying problems, and its 1990s record has been dismal.

There has been no dividend since 1989, and three years of losses were followed by profits of £1.8m and £3m before the company plunged back into a pre-tax loss of £30.6m in 1994-95. That was after the £34m costs of a restructuring.

Ms Iverson has made something of a speciality of company turnrounds, notably in Storehouse's BHS and Mothercare chains. She knows Laura Ashley well, having been a non-executive director for a year.

She says the potential is undiminished. "I am convinced that the brand has a great deal more to offer both in terms of return to shareholders, and for consumers.

"We are working on 2 per cent margins right now and the business clearly has the opportunity to deliver double-digit margins in four to five years."

Ms Iverson says one problem is that the group's last two chief executives have not had retail backgrounds. The brand has lost focus, and what she calls the "business model" is not appropriate.

What is needed now, she says, is some "basic retail practices and disciplines". That means identifying the strengths of the brand, maximising the benefits of Laura Ashley's vertically integrated structure, and trying to push up the gross margin. There are some parallels with the process Ms Iverson carried out at the British Mothercare chain, where she refocused the business on mother-and-baby products and children's clothing, and developed a "fun" store concept, including talking trees and singing clocks.

Tha job she has been doing for the past year at Kay-Bee, a 1,200-store offshoot of Melville, has also involved repositioning the largest mall-based toy retailer in the US.

Failure to produce results quickly at Laura Ashley could leave the group vulnerable to a takeover. Sir Bernard Ashley, co-founder, has already been approached about selling his stake, but said yesterday he had "no intention of disposing of or reducing my interest in the group".

The group's difficulties stretch back to the 1980s, when costs were crept up. The present decade began with severe liquidity problems – solved by a £45m cash injection from the Japanese retail group Aeon, in return for a 15 per cent stake; the resignation of then chief executive Mr John James, and the closure of six factories and loss of 1,500 jobs.

Mr Jim Maxmin was recruited as the new chief executive charged with turning the business around. He launched the "Simplify, Focus, Act" recovery programme.

More redundancies resulted and Federal Express, the distribution group, was taken on to handle warehousing and distribution. But Mr Maxmin departed prematurely last April after disagreements over future investment levels – taking with him a £1.2m pay-off.

UK NEWS DIGEST

Soccer star wins more than $1m in libel damages

Soccer star Graeme Souness won £750,000 ($1.175m) damages over a newspaper article which branded him a tight-fisted "dirty rat". It was one of the biggest libel awards by a British jury. The former Liverpool and Scotland player grinned with triumph after the High Court jury in London had given its unanimous verdict following two hours of deliberation. Mr Souness's lawyer said his first wife had been used by The People newspaper in a "seedy, shoddy conspiracy" against the soccer star when he was at a professional low. The People belongs to Mirror Group Newspapers, which said it would appeal.

In the May 1993 interview in the paper, the first Mrs Souness said her husband had ordered her and their children to leave their home. She also claimed that her ex-husband had refused to pay their sons' school fees, and that she was living on handouts from her parents. A lawyer for Mr Souness said it was a "classic bit of sleaze journalism" and a "100 per cent lie". He asked for "massive" damages. *PA News*

Italian group wins licence

An Italian manufacturer of telecommunications equipment has been granted a UK telecoms licence following its takeover of Mercury Communications public callbox sites. Industria Politechnia Meridionale Communications will install payphones on the 1,584 sites where Mercury's distinctive winged cardphones once stood. The first of the new phones are expected to be operational in July and will take both cash and cards. Mercury decided in December to quit the public payphone business which had been making a loss. It has removed a small number of boxes to date, and the handover to IPMC is expected to save it about £1m in dismantling costs. *Alan Cane, Industrial Staff*

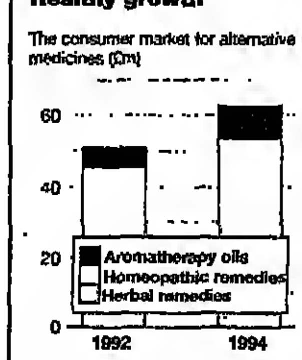
Phone numbers to change

Mr Don Cruickshank, the director-general of telecommunications, announced a sweeping reorganisation of the telephone numbering scheme. Following the alteration of all national codes to begin 01 in April, the plan is to use the codes 02, 03, 04 and so on to define specific services. Numbers beginning 04 will identify mobile phones for example. The changes will take place over a number of years. Yesterday Mr Cruickshank published a consultative document on the use of numbers beginning 02 to relieve the pressure on fixed phone numbers – numbers which typically begin 01. The pressure for numbers is a consequence of new operators and new products and services in the UK market. *Alan Cane*

Alternative drugs on rise

Healthy growth

The consumer market for alternative medicines (£m)



Source: Mintel

Britons are increasing their spending on alternative medicines faster than on conventional drugs, says Mintel, the market research company. The alternative medicines market was worth £62.7m ($98.4m) in 1994 – a small fraction of the £1.3bn spent on medicines not prescribed by doctors – but the market's sales grew by 23 per cent between 1992 and 1994. Sales growth in the non-prescription market as a whole, and in the prescription drugs market, were each less than 20 per cent over the two years. Herbal remedies dominate the market with 56 per cent of sales, but aromatherapy, with only 16 per cent of sales, is growing faster. The UK market is dominated by two companies, Potter's and Gerard House, which account for 57 per cent of total sales. The alternative therapy business has been boosted by rising prescription charges and the decreasing time doctors devote to their patients, says Mintel. *Daniel Green, Industrial Staff*

Tunnel service to carry coaches

Eurotunnel's shuttle service through the Channel tunnel will carry coaches and minibuses from June 26, the company said yesterday. This completes the range of services provided by the tunnel trains, which began carrying trucks in May 1994 and cars in July. Coaches will travel in enclosed single-deck shuttle carriages. These require separate approval from the Anglo-French safety commission which oversees tunnel activities. The service will start with one departure an hour but will be increased during July. *Charles Batchelor, Transport Correspondent*

Road cost doubles: A 2km road link has cost nearly £300m ($471m) to build – more than twice the original estimate, said the National Audit Office. Construction of the Limehouse Link road tunnel from the City of London to London's Docklands has eventually been completed for £293.3m. This was 29 per cent above the post-tender estimate and 107 per cent more than the pre-tender estimate.

First woman police chief: The first woman to win the job of Chief Constable of a big regional police force said she believed she had been appointed because of her ability and not because of political correctness. Pauline Clare, who is to head the Lancashire force in north-west England, added: "I think I got the job because I was the best candidate".

University honours Speaker: Miss Betty Boothroyd, the first woman Speaker of the House of Commons, is to receive an honorary degree of Doctor of Civil Law from Oxford University this month. The artist David Hockney will be made a Doctor of Letters.

MANAGEMENT

Neil Buckley examines J Sainsbury's efforts to regain its competitive edge

Super service

After spending several billion pounds in the past decade on building hundreds of gleaming new supermarkets, it must be slightly irritating to be told by customers the thing that really irks them is wonky shopping trolleys.

That, however, is what J Sainsbury, the UK grocery retailer, found when it commissioned a "problem detection study" among supermarket shoppers. After spending 18 months and £9m addressing the problems unearthed by that survey, and retraining managers and staff to make its stores more "warm and friendly", Sainsbury this weekend launches an advertising campaign featuring TV personality Ulrika Jonsson trumpeting its new "customer service commitment".

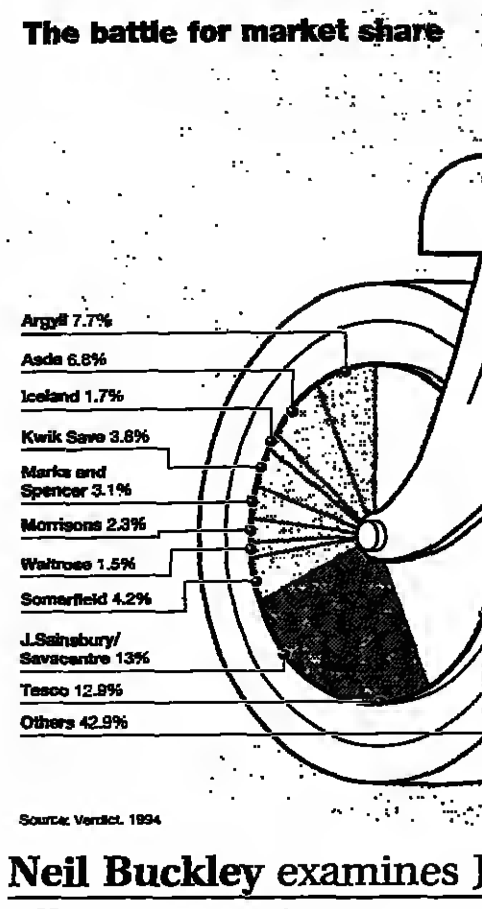
City analysts interpret the move as the start of the fightback against Tesco, Sainsbury's biggest rival, which they say has had the upper hand in marketing itself during the last year. While Sainsbury is still the most profitable supermarket group (with operating profits of £784m last year from its British supermarkets against Tesco's £600m) Tesco, through initiatives such as its loyalty card scheme Clubcard and well-publicised customer service improvements, has been stealing market share. By some estimates, it has overtaken Sainsbury to become Britain's biggest grocer by sales in recent months.

David Sainsbury, Sainsbury's chairman, concedes that its rival has been communicating better, but says Sainsbury wanted to complete work on its service initiative before publicising it. "We wanted to get all the elements in place and make sure we could deliver our promises," he says. "We now feel able to go public." Not delivering on promises is, he adds, one of the fastest ways to lose customers.

The initiative has been paid for partly through the £50m annual savings resulting from "Genesis", Sainsbury's strategic review which led to a shake-up of central and store management and the loss of 650 jobs. Sainsbury is spending £10m in putting 2,000 more staff into stores, while the advertising budget will be upped "considerably" from last year's £16m.

The process began in 1993, when Sainsbury's regular customer research revealed that shoppers were happy with its products, but less so with its service. The resulting problem detection study produced a list of shoppers' gripes about all supermarkets. At the top was "wonky" trolleys that were difficult to steer, followed by lack of sufficient tills, long queues, product locations being changed too often, flimsy carrier bags and bags for fruit and vegetables that were impossible to open.

The battle for market share



Source: Verdict, 1994

Sainsbury has tried to address these points specifically. Customers using "wonky" trolleys are encouraged to tell staff who will give them a replacement and transfer their shopping. The group has, like Tesco, introduced a "one in front" policy, pledging to open more checkouts if customers find more than one person waiting to be served in front of them, until all tills are open.

Customers searching for products will be shown personally by staff to the correct spot, stronger carrier bags are being tested, and after much searching, Sainsbury has found what it calls the "ultimate produce bag".

As important as dealing with the common grumbles, however, was changing the store ethos.

"[Customers] told us that our stores were a bit cold and unfriendly," says David Sainsbury. "The other message that came over loud and clear was that staff were so busy running the stores that they couldn't find time for the customers."

Anthony Rees, director of strategic marketing, says Sainsbury, knowing most shoppers regarded grocery shopping as a chore, had long concentrated on enabling them to "get in and out as quickly as possible", in the process sacrificing some elements of friendliness.

Checkout operators, for example, had been trained to scan 22 items a minute – faster than shoppers could put the items into bags, and too fast to allow staff to smile and talk to customers. The average scanning speed is being cut to 18 items a minute. Sainsbury has also spent £750,000 on new checkout seats after complaints from staff that the old ones were uncomfortable.

Both these changes emerged from 18 months of staff consultation and training. The first step was to invite store managers in February 1994 to a national conference for a "warts and all" presentation of the customer research.

The next stage was anonymous surveys among Sainsbury's 100,000 staff in its 355 supermarkets in the UK, asking for opinions on store management – whether managers were responsive to their requests, views and problems – and customer service.

The findings were presented to the top three managers in each store, who participated in "leadership through teamwork" courses. Some were given one-to-one training if they had scored poorly on staff communication. The three managers then agreed "positive action plans" to be displayed in stores on how they would improve weak areas.

Further anonymous staff questionnaires were circulated six months later, before the entire management team – comprising 30 or 40 people in bigger stores – was taken out of each store for a four-day "leadership through teamwork" course.

At the same time, "quality action teams" of six-to-eight store staff took part in training exercises. Together with training consultants Celemi, Sainsbury developed a "workmat" – a kind of board game laid out like a store, which staff had to work their way around, discussing how to deal with various problem scenarios.

"We realised that the staff themselves were actually best placed to offer solutions to customers' problems," says Wells. "Many of our regulations and procedures were actually hindering staff from serving customers in the way they wanted to."

Whether such improvements as extra bag packers and assistants to carry groceries to cars, baby changing rooms with free nappies, and special facilities for the elderly and disabled enable Sainsbury to regain the edge over competitors depends partly on the success of its new advertising. Other groups are making similar moves – Safeway, the UK number three, has introduced a raft of customer service improvements while Asda, the number four, is trying to inject "fun" into food shopping.

Sainsbury sees the emphasis on service as another stage in the evolution of British supermarkets. After becoming among the most efficient retailers in the world, UK grocers are trying to add the customer service standards of US chains. "We have become very efficient indeed," says Anthony Rees. "Now we are aiming for 'efficiency-plus'."

Why, despite progressive reforms, are Swedish women failing to secure the top jobs? Hugh Carnegy reports

A question of attitude

Sweden, perhaps more than any other country, prides itself on the high degree of equality its women have reached in society. But a detailed statistical profile published by the government last month has highlighted the extent to which even Swedish women have failed to break down male dominance in management, particularly in the private sector.

The study* shows how decades of active promotion of equal opportunity has had an impact on the wider role played by women in Sweden. The long list of legislative measures goes back to the establishment of equal inheritance rights for women and men in 1845.

More recently, it encompasses the steady extension of paid maternity leave, an important encouragement for women joining the workforce. The first legislation giving the right to three months paid leave for women was enacted in 1955. This year, a ruling has come into force so that fathers must take at least one month of a couple's current combined 12-month paid leave entitlement on the birth of a child.

Combined with the simultaneous extension of near-universal child care provision, these measures have resulted in 80 per cent of Swedish women joining the workforce, one of the highest levels in the world.

Women have also made startling inroads in politics and government compared with most other countries. The general election last year brought the number of women in the Riksdag up to 40 per cent of the total, compared with a European average for national parliaments of 11 per cent.

Even the royal family has embraced equal opportunity: in 1980, the law of succession was altered to give the right of inheritance to the throne to the monarch's first born, regardless of sex. The next monarch of Sweden will therefore be Princess Victoria, eldest child of King Carl Gustav.

All this makes more striking the slow progress of women in penetrating senior and even middle management levels in industry, the service sector and even public administration.

The gap is most evident in the private sector, where estimates have put the proportion of women directors of Swedish stock market companies at four per cent, and the proportion of senior women executives in the same companies at two per cent.

In the public sector, women account for 29 per cent of managers. Yet there is a heavy preponderance of women in the public service workforce. Only one per cent of women in the public sector reach senior management positions, compared with six per cent of men.

Birgitta Hedman, head of the gender statistics unit of Statistics Sweden, says direct comparisons with other countries are difficult because of lack of information or variances in defining categories.

Given the legislative background, why have Swedish women not made greater inroads in leadership positions outside the realm of political power?

A primary reason is that women are still overwhelmingly carrying the burden of family care in Sweden. Most women workers are employed in the country's famously large public services, providing the backbone of the health care services, pre-school child care services, care of the elderly and education services. "Women in the Nordic countries are paid to do what women in other countries do unpaid," says Hedman.

The headline figures for employment of women also disguise how Swedish women spend a far greater amount of time on their own family care than men. Of those women in the workforce, only 44 per cent are in full-time work, compared with 70 per cent of employed men.

Furthermore, figures show that women spend more than 33 hours a week on unpaid work – mostly household and child care work – while men do 20 hours. That gap is even wider for couples with children under school age.

Education is another factor. Girls in Sweden focus on the humanities and social sciences and, in vocational training, favour areas such as nursing, while boys are more heavily represented in engineering and technical education.

There is also the unquantifiable issue of attitudes. "Attitude is the biggest problem today," says Vivianna Johansson, a senior executive with Vestgota, a company in central Sweden. She is involved in initiatives to promote women in managerial positions run by Ledarna, a countrywide association of managerial staff.

She says that, to date, senior male leaders in industry and business – a relatively tight-knit circle in Sweden – have been reluctant to open the door to women, and companies are reluctant to promote women who have access to such generous legal rights to maternity leave. But Johansson also acknowledges that women have, until recently, been reluctant to push for leadership positions in industry.

The person with overall responsibility for equal opportunity in Sweden is Mona Sahlin, the deputy prime minister. She, too, looks for a change of attitude to bring about a breakthrough for women into positions of economic power. She says the private sector must abandon male expectations about single-minded devotion to work and long hours.

"If I can be deputy prime minister with three children and still take care of them, then surely so can bosses in the private sector."

**Women and Men in Sweden. Statistics Sweden Publication – Services, S-710 89 Orebro, Sweden.*

COMMERCIAL PROPERTY

LEGAL NOTICE

The High Court of Justice, No. 003488 of 1995
Chancery Division

IN THE MATTER OF
PROSPERITY LIFE
ASSURANCE LIMITED
AND
IN THE MATTER OF
CENTURY LIFE PLC
AND
IN THE MATTER OF THE
INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on the 2nd June 1995 presented to Her Majesty's High Court of Justice by the above-named Century Life Plc ("Century") for:

(1) the sanction under Part I of Schedule 2C to the Insurance Companies Act, 1982 ("the Act") to a Scheme (hereinafter called the "Scheme") providing for the transfer by Prosperity Life Assurance Limited ("PLA") of the whole of its long term insurance business to Century; and

(2) an Order making ancillary provision for implementing the Scheme under paragraph 5 of Schedule 2C to the Act.

Copies of the Petition, the Scheme and a report by an independent actuary in pursuance of the said Part I of Schedule 2C may be inspected at the offices specified in the Schedule hereto during business hours for a period of 21 days from the publication of this Notice.

The Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday, 19th July 1995 and any person, including any employee of PLA or Century, who claims to be adversely affected by the Scheme may appear at the time of the hearing in person or by Counsel.

Any person who intends so to appear, and any policy holder of PLA or Century who dissents from the Scheme but does no intend so to appear, should give not less than two clear days prior notice in writing of such intention or dissent, and the reasons therefor, to the Solicitors named below.

Copies of the documents specified above will be furnished by such Solicitors to any person requiring them prior to the making of an Order sanctioning the Scheme on payment of the prescribed charge for the same.

Dated this 16th day of June, 1995

The Brough Skerrett Law Partnership
One Dyers Buildings
London EC1N 2SX
Solicitors for Century Life Plc

(i) Century House, 5 Old Bailey, London EC4M 7BA (Ref. K. Jarrell)
(ii) One Dyers Buildings, London, EC1N 2SX

ARTS

The City's affair with the arts

The cultural temperature in the Square Mile is warming up, reports Antony Thorncroft

Suddenly two of the most dissonant words in the English language, the "City" and the "arts", have been sounding in tune. Last week the City of London reacted with gentlemanly reticence (but ill concealed chagrin) to the news that one of its pampered children, the Royal Shakespeare Company, was cutting its annual residency at the Barbican Theatre in half in order to spend more time touring the regions.

Next week the City thinks positive, as its festival opens shop. This is not just another City of London Festival. After years of quiet torpor an attempt is being made to raise the cultural temperature. The City has pledged £250,000 in subsidy for each of the next three years if the organisers can find matching funding from corporate sponsors.

In year one, thanks mainly to the Bank of Scotland, Marks & Spencer and the National Grid, the challenge has almost been met and a much stronger festival has emerged. Nothing too outlandish of course – Handel at the Guildhall; Britten at Southwark Cathedral; plenty of Purcell; plus a welcome push for street credibility with the Bootleg Beatles sharing Paternoster Square with an arts and crafts fair, and piazza theatre at Broadgate.

Michael Cassidy, chairman of the City's policy and resources committee, makes the right noises about the City's responsibility to contribute to the cultural life of the nation, but he does not disguise the fact that the City knows it must fight for its place as one of the world's leading financial centres, and that the arts can play a decisive role in maintaining its position. The City Fathers have observed that rival cities, like Paris and Frankfurt, can be more enjoyable places in which to work and live, not least at street level. The City is enthusiastically embracing quality of life.

This is not a completely new development: the arts is already the second largest expenditure item in the City's budget (after the police), taking up, if you include museums and libraries, £30m a year. Over the last decade the realists on the City's Common Council have won the battle with the philistines, often the accountants who looked at balance sheets rather than the wider issues when voting money for the arts.

Most of the City's aid, £18.5m of it, goes into the Barbican Centre and it has risen nobly to a succession of crises that, in the past, might have shattered its resolve. When the RSC had its last financial crisis the City doubled its subsidy, to £3.6m this year; when the artistic community at the Barbican fell out with the director, Baroness O'Cathain, it was the Lady who went last Christmas.

The City is currently spending £9m on refurbishing the Barbican arts centre, trying once and for all to dispel its image as a concrete bunker. Cassidy now boasts that the City is the third biggest paymaster of the arts in the UK, after the Arts Council and the BBC.

In tune with the current, upbeat, mood, the City is putting a positive gloss on the desertion of the RSC. "It's a challenge", says Bernard Harty, chamberlain of the City and temporary boss at the Barbican. He seems prepared to be reasonable when the City re-negotiates the RSC's contract, although Cassidy says decisively "halving our grant seems a good starting point". The money saved will go towards filling the six empty summer months with a series of seasons, by portable opera troupes and theatrical companies: already the Bristol Old Vic has enquired about a residency. The City also plans a bid for lottery money to help improve both the Pit and the main theatre.

Summer access to the theatres suddenly makes the job of the new director of the Barbican, who will be chosen in August from 200 applicants, much more important and exciting. Although the residency by the RSC, "the best rep company in the world," according to Harty, gave the Barbican prestige and good audiences, it often proved a moody tenant, with its artistic directors complaining publicly about depressing dressing rooms and an absence of fizz. Also the RSC found it impossible to join in many of the arts festivals that the Barbican has been keen to promote. The new flexibility should enable the director of the Barbican to mount a more imaginative programme.

For the City seems determined to run with its new enthusiasm for the arts. It welcomes the idea that the temporary home of the Royal Opera House during its closure may be on City owned land opposite the Tower of London; it is currently devising an arts strategy that will spread the message out from the Barbican Centre and into the many livery halls, Wren churches and historic buildings that, apart from a few days during the festival, are strangers to culture; there is talk of an arts use in the re-developed Spitafields Market: and the pedestrianised areas appearing all over the City as a result of the anti-IRA road closures could act as islands in a new environmentally friendly, culturally aware, Square Mile.

It is not only among the members and aldermen at Guildhall that the City's love affair with the arts blooms. In November Stationer's Hall pays host to the St Ceciliatide International Festival of Music, featuring, among others, the Lindsay String Quartet, Joshua Rifkin and John Lill. This will be the first of an annual festival which, in true City tradition, both celebrates the past, the annual "musick feasts" which took place in the Hall in the 18th century, and offers opportunities for genteel corporate entertaining.

There is also an appreciation by City companies that their current image as money making automatons could have deleterious political effects. City firms do not punch their weight in corporate giving, especially to the arts, and it is unfortunate that this year the most generous, Barings, (mainly through its Foundation) was brought low. Often Japanese companies, Swiss banks, and US giants like Morgan Stanley and Goldman Sachs have shown more social conscience than traditional firms, but now companies like Warburgs, Kleinwort Benson, Morgan Grenfell, JP Morgan and Schroders are devoting tiny sums towards the community, and the arts.

When the City of London Festival ends on July 7 venues like the Vintner's Hall, Guildhall Old Library, St Peter ad Vincula in the Tower, and more, will go off-limits again. But behind the scenes the Barbican negotiations will start, the arts initiative will be pursued, and, belatedly, and perhaps unconvincingly, the City will finally appreciate that while the UK has fallen back in many fields, including financial services, in the arts it still maintains a global pole position, and one that can be exploited to holster its traditional commercial strengths.

Theatre/Sarah Hemming

A Midsummer Night's Dream

The Open Air Theatre in Regent's Park started with a high-speed *Richard III* this year, shunting *A Midsummer Night's Dream* a little closer to the solstice. But even with Midsummer's night only a week away, temperatures still suggested that *The Winter's Tale* would be a more appropriate choice.

With a chill in the air, John Doyle's highly stylised, cute and kitschy version of the hardy annual is at least cheery on the eye, if deliberately perverse. James Merifield's design ignores all the natural assets of the venue – here the nodding tree-tops do not blend into a stage forest, but are bundled away behind a huge blue scarf that spreads over the whole set and, with its gold fringe, blue splodges and white speckles, resembles a garish tie-and-dye experiment left over from the 1970s.

The costumes meanwhile suggest a collision between Wagner's *Ring* and a chocolate box. Titania and Oberon stride about in mock heroic drapes and armour, while the Athenian lovers seem to have walked off the Quality Street tin; the boys in toy soldier uniform, the girls in pink and blue crinolines. The fairies are putti-like figures in blue silk pantaloons and crinoline hoops, the mechanicals are decked out in brightly coloured patchwork suits and Puck (Toyah Willcox) is a Pears soap ad: a mischievous little boy in a sailor suit with bubbles for hair and a cupid's kiss for a mouth. What the Americans would term "hair units" play a sizeable part: curls for the fairies, ringlets for the girls, whiskers for Oberon and a veritable mane for Titania.

This sinisterly jolly, Victorian toybox setting emphasises the make-believe in the play and the childish petulance that drives most of the falling in and out of love. It also makes it clear that the humans are so many wind-up playthings with little control of their feelings or fate. The fairies stay on stage throughout and Titania and Oberon are played by the same actors as Hippolyta and Theseus (a forceful Harriet Thorpe and a ramrod Brian Protheroe).

Beyond this concept, there is not much depth, however, and there is a price to pay for it. The lovers are ridiculous enough as a group, but they are scarcely distinguishable as characters, and none of them seems to suffer any real anguish at all. The mixed-up fight that is at the centre of the play becomes tedious and tiresome, partly because you do not care about any of the characters and partly because it is played on one level with no changes of direction, mood or pace. Subtext is off the menu.

The mechanicals are amusing, led by Robert Lang's cosily funny, rather touching Bottom. But in a production where everyone looks like a cardboard cut-out, they are hard put to change the tone and provide comic interludes. And Willcox's Puck is compelling, an inscrutable being who arrives on increasingly absurd sets of wheels – skateboard, scooter, roller-skates, penny-farthing. Little touches like this are enjoyable and in the gathering darkness, the production's broad brush strokes pay off. As a way of offering a new spin on the text in an auditorium where subtlety is not easy to work with, it is effective. But any sense of the depth, mystery, darkness and magic of the text is gone with the wind.

Toyah Willcox (with fairy) as a compelling, inscrutable Puck Alastair Muir

Theatre/Ian Shuttleworth

Puberty blues in 'Danti-Dan'

It seems that playwright Richard Cameron has a long-lost sister. Actress Gina Moxley's first play *Danti-Dan* – with its sexually awakening youngsters in a dead-end small town, its devious manipulator and its tragic innocent, its undertow of sentimental nostalgia deliberately undermined by hard comedy – is set in early Cameron territory transferred from South Yorkshire to County Cork.

In the heat of the summer of 1970, as they kill time by the village monument, Moxley's five teenage characters find their respective sexualities flowering at different rates. Sixteen-year-old Ber is pregnant by her amiable wastrel boyfriend, while her 14-year-old sister Dolores is running to keep up with her younger friend, the brazen and amoral Cactus.

Caught in the crossfire is Dan, a 14-year-old with a functioning age of eight: in his cowboy hat and twin bolster, he would rather take down car numbers and dream of the Wild West, until Cactus unfeelingly sets to work upon his young mind in order to avail herself of his older body.

In Lynn Parker's production for her Rough Magic company, Dan is even more of an outsider: Alan King, in shorts and satchel, looks less plausibly his character's age than any of his fellows, lending Dan an air of *Blue Remembered Hills* absurdity. Partly because of this, the sympathy beneath the comedy becomes obscured and the sudden, savage dénouement fails to bring off its intended shock effect.

However, Sophie Flannery's Cactus is a fine creation: sharp-tongued, single-minded and shameless, impatient to try on a set of grown-up genes, her recklessness drives the play. Flannery's comic strengths are best shown in her double-act scenes with Dolores – Eileen Walsh in her professional debut, whose gawky facial expressions and talent for stealing moments lend her an astonishing resemblance to comedian Sean Hughes.

If the backbone of the play is the well-worn "puberty blues" theme, its muscle and sinew are provided by the persistent humour. Every Irish writer whose characters have even a trace of brash young cynicism must by now be fed up with being compared with Roddy Doyle, but it is a useful shorthand. Moxley's Cork is a more gentle environment than Doyle's Barrytown, but no warmer or more hopeful: the sort of place where "if you lost your virginity, somebody would find it and bring it home to your mother" as Ber remarks.

At bottom, *Danti-Dan* has no pretensions to being a sensitive exploration of hormones in bloom: its a simple teenage comedy and judged by its own lights it is a small gem.

At Hampstead Theatre until July 1 (0171 7229301).

Opera/David Murray

'Un Ballo' revived for the Verdi festival

As a component of the Royal Opera's gigantic ongoing Verdi Festival (from now to 2001, every single one of his operas), we have the *n*th revival of *Un ballo in maschera* in the old Otto Schenk production, as re-directed by Patrick Young. I still admire Jürgen Rose's sets, which capture a Scandinavian period-feel – the action is dated 1792 – with the right imitation-baroque stuffiness. The new conductor is Philippe Auguin: less searching or subtle than efficient, but highly efficient.

This Covent Garden version rightly insists upon the original Swedish setting, though the time-honoured Italian names are retained. As with *Stiffelio*, Verdi encountered ridiculous problems with the Italian censors; repeatedly the plot had to be relocated hither and thither, and stripped of any seriously regicidal suggestion. Schenk stopped short, however, of the quixotic Swedish production which sought also to respect the historical fact that King Gustavus III, the liberal monarch who was indeed assassinated at a "masked ball", was also gay.

That Stockholm staging tied itself into knots with its pretence that the pageboy Oscar was Gustav's real *inamorato*, and the royal affair with Amelia – the mainspring of the opera! – a mere public fraud. Just a whiff of that remains here, where Judith Howarth's expert Oscar seems to be on curiously intimate terms with the King.

Other singers too return from previous revivals. As the chief conspirators Counts Ribbing and Horn, Roderick Earle and Michael Druiett supply strong singing and deft characterisations, and Jane Henschel's melodramatic Ulrica (*aka* "Madame Arvidson") is a clever combination of lofty seeress and canny charlatan. From Mark Beesley, who stepped in at the last moment to replace an ailing singer as her first naive customer, we got a broad, appealing sailor-cameo.

The three principals are all new. The King is the tenor Kristjan Johansson – who scarcely ever smiles, presumably because he is an Icelander – but is stylish, lusty and even insouciant with his music in an experienced, seasoned kind of way. He allows himself rather too many Italianate half-sobs; he sings elegantly enough to forgo that trick. His Amelia is Michele Crider, suddenly in international demand, who acts routinely by numbers (her fearful visit to the gallows-place was a model of dim placidity) but spins a rich vocal line, cultivated and with real dramatic depth at both extremes of her register.

As her betrayed spouse Anckarstroem, the Spanish baritone Eduardo del Campo cuts an interestingly severe figure. It is unusual to see Anckarstroem as a nervy youngish husband threatened by a mature, near-grizzled royal challenger. It will be quite different in the remaining performances when Renato Bruson, now almost 60, returns to the role. But Del Campo rose strenuously to climaxes, and to enthusiastic applause, though in the bass range – vital for Anckarstroem – his voice is pallid still and needs more work.

All in all, nonetheless, this *Ballo* rewards our attention: its clean lines set the dramatic structure in very sharp relief. If we are not much moved, we can still be impressed, and sometimes stirred.

This revival supported by Dr Stanley Ho, OBE, CStJ; further performances June 17, 19 and 22.

INTERNATIONAL ARTS GUIDE

■ BARCELONA

CONCERTS

Palau de la Música Catalana Tel: (93) 268 1000

● Swiss Romande Orchestra: with soprano Angela Maria Blasi and baritone Andreas Schmidt. Armin Jordan conducts Brahms' "German Requiem"; 8.30pm; Jun 16

■ BERLIN

CONCERTS

Konzerthaus Tel: (020) 309 21 02/ 21 03

● Berlin Symphony Orchestra: Kurt Sanderling conducts Beethoven and Mozart; 8pm; Jun 16, 17

● Catalan Festival: soprano Victoria de los Angeles is accompanied by the Guitar Quartet from Barcelona to play Guerrero, Sor, Giuliani and Montsalvage; 7.30pm; Jun 18

● Radio Symphony Orchestra Berlin: with soprano Celine Lindsley, alto Jane Henschel and tenor Donald George. Rafael Frühbeck de Burgos conducts Mendelssohn; 7.30pm; Jun 16

Staatsoper unter den Linden Tel: (030) 200 4762

● Berlin State Orchestra: with pianist Daniel Barenboim, soprano Laura Aikin and mezzo-soprano Katharina Kammerloher. Pierre Boulez conducts Wagner, Bartók and his own compositions; 4pm; Jun 17, 18 (11am)

OPERA/BALLET

Deutsche Oper Tel: (030) 34384-01

● Der Rosenkavalier: by Strauss. Conductor Jiři Kout, production by Götz Friedrich; 7.30pm; Jun 22

● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7.30pm; Jun 16

● Onegin: music by Tchaikovsky. Premiere at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 5pm; Jun 17

● Tristan und Isolde: by Wagner. Conducted by Jiři Kout and produced by Götz Friedrich; 5.30pm; Jun 18

■ BRUSSELS

CONCERTS

De Munt/La Monnaie Tel: (02) 218 2211

● Juliane Banse: soprano accompanied by pianist Wolfram Rieger; 8pm; Jun 16

● The Musicians of the Louvre: Marc Minkowski conducts Clarke's "Ode on Henry Purcell's Death" and Purcell's "Dido and Aeneas". Soloists include Benjamin Butterfield, Armand Gavriilidès, Brett Polegato and Véronique Gens; 8pm; Jun 21

OPERA/BALLET

De Munt/La Monnaie Tel: (02) 218 2211

● The Masked Ball: by Verdi. Conducted by Antonio Pappano and produced by Guy Joosten. Soloists include Franco Farina/Richard Margison, Edouardo Tumagyan/ William Stone and Elena Zaremba; 8pm; Jun 17, 18 (3pm), 20, 22

■ FRANKFURT

OPERA/BALLET

Oper Frankfurt Tel: (069) 23 60 61

● Lady Macbeth of Mtsensk: by Shostakovich. Conducted by Guido Johannes Rumstadt and produced by Werner Schroeter. Soloists include Valeri Alexejev, Ryszard Karczykowski and Christine Ciesinski; 3.30pm; Jun 18

● Reigen: by Boesmans. A new production conducted by Sylvian Cambreling and produced by Luc Bondy. Soloists include Pia-Marie Nilsson, Doug Jones and Elzbieta Ardam; 7.30pm; Jun 21

■ GENEVA

CONCERTS

Victoria Hall Tel: (022) 311 2513

● Swiss Romande Orchestra: with pianist Dominique Merlet. George Pehlivanian conducts Debussy, Ravel, Boulez and Stravinsky; 8.30pm; Jun 22

OPERA/BALLET

Grand Theatre de Geneve Tel: (022) 311 2211

● Orphee: by Gluck, French adaptation by Pierre Louis Moline. Conducted by Jeffrey Tate, produced by Andreas Homoki. Soloists include Anne Sofia Von Otter, Barbara Bonney and Elizabeth Futral; 8pm; Jun 18, 21

■ LONDON

CONCERTS

Barbican Tel: (0171) 638 8891

● London Symphony Orchestra: with soprano Cheryl Studer. Andre Previn conducts Strauss' "Four Last Songs" and "Alpine Symphony"; 7.30pm; Jun 18

● Peter Grimes: by Britten. Richard Hickox conducts the City of London Sinfonia and soloists Philip Langridge, Janice Watson and Alan Opie for a concert performance; 7.30pm; Jun 20

Royal Festival Hall Tel: (0171) 928 8800

● Grand Classical Gala: the National Symphony Orchestra with pianist Philip Dyson and the Kentish Opera Chorus. David Coleman conducts a selection of favourite classics; 8pm; Jun 18 ● Itzhak Perlman: Yoel Levi conducts Sibelius and Mendelssohn; 7.30pm; Jun 17

● New York Philharmonic: Kurt Masur conducts Strauss' "Metamorphosen" and Beethoven's "Symphony No.3"; 7.30pm; Jun 16

● Philharmonia Orchestra: with pianist Paul Crossley. Esa-Pekka Salonen conducts Messiaen's "Turangalila Symphony"; 7.30pm; Jun 20

● The Bach Choir: with the Philharmonia Orchestra, soprano Susan Bullock, mezzo-soprano Jean Rigby, tenor Richard Edgar-Wilson and bass Willard White. Sir David Wilcocks conducts Medelssohn's "Elijah"; 7.30pm; Jun 22

GALLERIES

Riverside Studios Tel: (0181) 741 2251

● Yevgenny Khaldei: war photographs by the artist who was employed by the Tass news agency during WWII; to Jun 17

THEATRE

National, Lyttelton Tel: (0171) 928 2252

● Absolute Hell: by Rodney Ackland, directed by Anthony Page. Bohemian life in a London drinking club in 1945. Cast includes Judi Dench and Greg Hicks; 7.30pm; Jun 21, 22

National, Olivier Tel: (0171) 928 2252

● Women of Troy: by Euripides, translated by Kenneth McLeish and directed by Annia Castledine; 7.15pm; Jun 19, 20, 21 (2pm), 22

MUNICH

GALLERIES

Bayerische Staatsgemäldesammlungen Tel: (089) 23 80 50

● Naples: works produced between 1988-90 by the action artist Ernest Pignon-Ernest that are influenced by 17th century Neopolitan artists such as Stanzione, Caravaggio and Ribera; to Jun 18 (Not Sun)

■ NEW YORK

THEATRE

Plymouth Theater Tel: (212) 239 6200

● Chronicle of a Death Foretold: book by Gabriel Garcia Marquez, adapted, choreographed and directed by Graciela Daniele; 8pm; (not Mon)

■ PARIS

CONCERTS

Châtelet Tel: (1) 40 28 28 40

● Choir and orchestra of Les Arts Florissants: with soprano Susan Bullock, alto Susan Bickley, tenor Mark Padmore and bass Thierry Félix. William Christie conducts Beethoven; 8pm; Jun 16

■ VIENNA

CONCERTS

Gesellschaft der Musikfreunde Tel: (1) 505 1363

● Viennese Symphony Orchestra: with soprano Charlotte Margiono, tenor Herbert Lippert and bass Alfred Muff. Wolfgang Sawallisch conducts Haydn's "Pastorale"; 7.30pm; Jun 22

Wiener Konzerthaus Tel: (1) 712 1211

● New York Philharmonic: Kurt Masur conducts Strauss and Beethoven; 7.30pm; Jun 20

● Viennese Philharmonic Orchestra: Lorin Maazel conducts Shostakovich and Strauss; 7.30pm; Jun 18

● Viennese Symphony Orchestra: with tenor James Wagner. Raphael Frühbeck de Burgos conducts Berlioz's "Granda Messe des Morts"; 7.30pm; Jun 18, 19

■ WASHINGTON

CONCERTS

Wolf Trap Tel: (703) 255 1860

● National Symphony Orchestra: Peter Bay conducts an all-Tchaikovsky programme; 8.15pm; Jun 18

● National Symphony Orchestra: selections from 1940's movie scenes. Pater Bay conducts Addinsell, Herrmann, Berlioz, Rodgers and Tchaikovsky; 8.15pm; Jun 17

WORLD SERVICE

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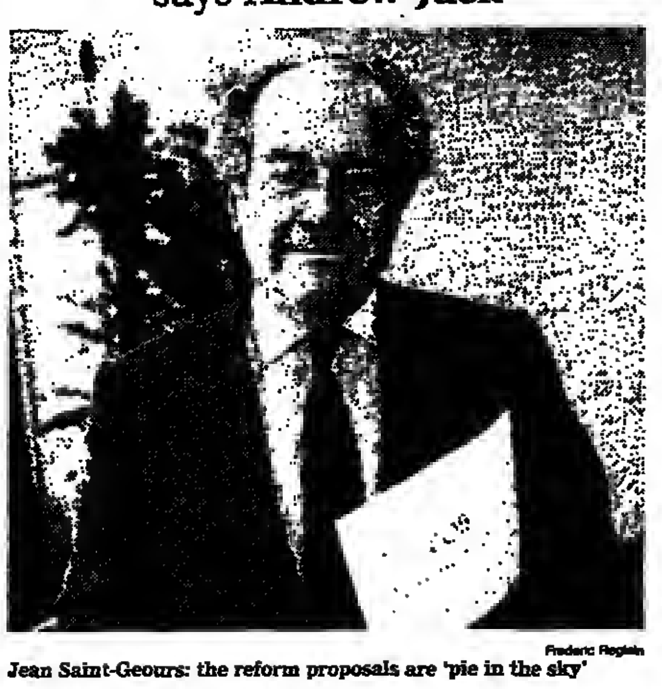
17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Embattled gendarme of the bourse

Pressure is growing for reform of France's market regulator, says **Andrew Jack**



Frederic Reglain

Jean Saint-Geours: the reform proposals are 'pie in the sky'

Mr Jean Saint-Geours, part-time novelist and full-time chairman of the Commission des Opérations de Bourse, the French financial markets regulator, plans to call his next book *Leave Your Gods in Peace*; it could equally be his response to the growing number of critics of his organisation.

As Mr Saint-Geours approaches the end of his six-year term this autumn, the watchdog is under scrutiny. Critics say "the gendarme of the bourse" has failed to deal effectively with allegations of corporate irregularities, including the troubles at Crédit Lyonnais, the lossmaking state-controlled bank.

COB officials are also accused of being unwilling to challenge their peers in the business establishment over suspected financial misdeeds. A draft law to overhaul its activities has been prepared by a group of senators. "The COB needs greater independence," says Mr Philippe Marini, a senator close to newly elected French president Jacques Chirac. "The question is what is the best form of institutional architecture for the Paris financial marketplace in the future," says Mr Marini, the principal sponsor of the bill.

Modelled on the US Securities and Exchange Commission and founded in 1969, the watchdog regulates the French financial markets, scrutinising corporate reporting, takeover bids, share dealing activities and the work of securities houses in an effort to ensure smooth and legal operation.

Its status was substantially boosted in 1989 when it was given greater investigative powers and the authority to impose fines and other penalties on companies and individuals directly rather than having to refer every decision to the courts.

Its 1994 annual report shows it has been far from idle in the past six years, with 91 inquiries concluded, 23 referred to the public prosecutors, 17 to the market authorities and 12 at present subject to its own sanctions procedures.

Less visibly, its officials examine the annual reports of all quoted companies, as well as bid documents and other official market announcements. About half of these, Mr Saint-Geours says, are amended as a result.

Supporters of the watchdog argue that it has substantially reduced the amount of insider trading in France in the past few years. Its streamlined approach to sanctions makes it a more swift and certain alternative to bringing prosecutions in the courts, whose procedures Mr Saint-Geours calls "long and complex".

"Since 1989 things have really changed. We feel insider trading has diminished considerably and that people pay attention now," he says in his office overlooking the Seine in Paris. He does concede that "it's still possible people are doing it in ways we are not capable of detecting".

In one example of using its teeth, the watchdog ruled that Mr Jacques Fournier, a director of Lyonnaise des Eaux, the water and utilities group, had abused privileged information by selling shares just before it issued a profits warning. It fined him FFr40,000 ($8,105), and he subsequently resigned from the board.

But the watchdog is less active in other areas, and has been sharply criticised for not protecting minority shareholders against large corporate stakeholders.

"Numerous quoted French companies still have a quality of financial information and an approach to their minority shareholders from another age," the newspaper Le Monde said recently. "In the face of these practices, the COB seems powerless or indecisive."

The response of Mr Saint-Geours is that "since the start of capitalism", most power has rested with majority shareholders, but he stresses the watchdog has taken several initiatives in an attempt to strengthen the legal rights of individual investors.

"Ninety per cent of investors are passive," he says. "We do our best to communicate and make companies more transparent, but there is a lack of interest from many people. It's a problem of democracy. Minorities remain weak." This is perhaps particularly true in France, where the rise of mass share ownership is a relatively recent phenomenon linked to government privatisations since the late 1980s.

His view is shared by Ms Colette Neuville, head of the Association for the Rights of Minority Shareholders; the group has used the courts to attack abuses of power by raiders in the past, but believes most necessary legal reform has happened. "It is now more a question of persuading shareholders to exercise the power they have been granted," she says.

The watchdog has also been accused of attacking first and asking questions later – by launching inquiries with great fanfare before concluding quietly there is no case to answer.

Another criticism is that its reprimands tend to target smaller market participants rather than the larger companies and their directors. "The COB looks for scapegoats and only attacks the little fish, not the big ones," says Mr Christian Cambier, head of Prigest, an investment company which has itself recently been fined by the watchdog.

Among numerous other examples, he cites the fact that there was never an inquiry into Crédit Lyonnais, which lost money through both incompetence and fraud, even though it has publicly traded shares which should bring it within the body's remit.

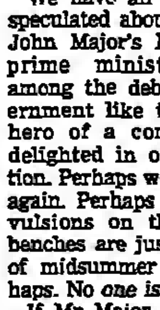
The draft legislation prepared by Mr Marini and others provides for a reconstituted COB to be governed by six regulators with nine-year terms; they would be chosen by the French council of ministers – which includes Mr Chirac – from nominations by parliament, and would then elect the COB president from among themselves.

That contrasts with the present system of officials nominated for four-year terms by institutions involved in the operation of markets; only the watchdog president is nominated by the council of ministers. Mr Saint-Geours calls Mr Marini's proposals for reform "pie in the sky" and argues that the watchdog already operates independently. "It's a very typical French reaction ... to believe the high-ups are protected," he says. "There is absolutely no distinction in principle between the big and the little fish."

But Mr Chirac has criticised the power and elitism of the French establishment. Mr Saint-Geours' successor – whose appointment will be strongly influenced by Mr Chirac – is likely to have to pay more heed the vocal critics.

Philip Stephens

To play the Tory king



He holds one more European card. It is not an ace, but it is of the court variety. He would be wise not to wait too long before playing it.

We have all of us too long speculated about the threat to John Major's leadership. The prime minister, standing among the debris of his government like the bewildered hero of a comic strip, has delighted in our miscalculation. Perhaps we will be wrong again. Perhaps the latest convulsions on the Tory backbenches are just another bout of midsummer madness. Perhaps. No one is betting on it.

If Mr Major harboured any doubts about the danger, they were dispelled at this week's encounter with his party's Europhobes. It was meant to be a meeting, if not of minds, then at least of reason. The four dozen or so who filed into his room at the House of Commons have lost sight of reason. The older xenophobes (they call themselves Eurosceptics) are still fighting the Germans 50 years on. Their young allies from the class of 1992, were described this week by a usually mild-mannered minister as no more than a bunch of populist spivs.

They are dangerous spivs. These intellectual heirs to Norman Tebbit see no place for themselves in a government led by Mr Major, or for that matter, Michael Heseltine. It is opposition which will give them their chance, nationalism their standard. But getting rid of Mr Major would be a potent demonstration of the power they now wield in the Tory party. Mr Major was outraged at his treatment. In 10 Downing Street these days, "bastard" is regarded as too flattering a description of his enemies.

Mr Major denied them their ransom. He would not (and could not) rule out British participation in a single currency during the next parliament. He does not think it will happen. But to say so unequivocally would be to strip him entirely of any remaining credibility; and to force the resignation of his chancellor. So now his enemies promise a leadership challenge in November. Norman Lamont stands ready, knife in hand. Unable to find a constituency which will select him to fight the next election, the former chancellor is judged an eminently suitable assassin. Looking down the list of has-beens and never-will-bes on the Tory backbenches, it is no longer difficult to find the requisite 33 willing to force a contest. Looking at the government's standing in the opinion polls it is no longer fanciful to imagine another 50 or more abstaining. If more than 100 refused him backing, Mr Major would find it impossible to stay.

Lest the prime minister blame us in the media for stoking the fires of speculation, the above is no more and no less than common currency among his ministers and backbench MPs. I can detect no visible plots within the cabinet. I have never seen so much positioning against the possibility that the prime minister might fall.

Norman Lamont stands ready, knife in hand. Unable to find a constituency, he is judged a suitable assassin

Mr Heseltine, of course, is the name on everyone's lips. The man himself always seems to pop up at the appropriate moment. His statement this week in the Commons about breaches of the government's embargo on Iran as well as Iraq during the 1980s could not have been better timed. Yes, he told us, Margaret Thatcher's government has been sloppy, if not to say culpable, in the way it had allowed arms exporters to evade restrictions. No, he had not been a member of that government. Yes, he had instigated at his own initiative a rigorous investigation of these past misdemeanours. As for Jonathan Aitken, well, he could speak for himself about his involvement with one of the companies alleged to have breached the embargo. Hadn't the chief secretary said he had nothing to hide? Perhaps we are all too cynical. But to my mind, the scarcely subliminal message seeped from every phrase. Mr Heseltine is not only free from blemish. He is a man in command, a leader.

But if the Prezza is the heir-apparent, another cabinet heavyweight may yet decide the fate of the king. The star of Kenneth Clarke has waned more than it has waxed this past year. His publicly proclaimed commitment to a single currency may have removed forever his chance of leading the Conservatives. His own sense of that explains why he can so carelessly describe as rightwing xenophobes men who would wield influence in a leadership contest. But the chancellor's moves this next few months will be critical to Mr Major's future.

It is Mr Clarke, of course, who holds a veto over the bargain demanded by the Eurosceptics. If the prime minister were to rule out a single currency during the lifetime of the next parliament, the chancellor would resign. Those who believe that Mr Major could survive his departure live in a world light-years away even from the bizarre realities of Westminster.

The chancellor, though, has the capacity to act as a powerful force for restraint. The thinking among Mr Major's enemies is that, were he fatally wounded, Mr Heseltine would emerge as a unchallenged successor. Sure, the Prezza is a European (and much more so than most on the right realise). But, the calculation goes, he would be obliged to strike a deal with the devil or, the depending on where you stand, the deity. Michael Portillo, the prince of the sceptics, would be given the Foreign Office. There would not be much chance of Mr Heseltine winning the general election. But he would prevent a rout, leaving Mr Portillo with a decent inheritance.

Leave aside for a moment all the ifs and buts in the scenario. Mr Clarke has the capacity to wreck it completely. All the chancellor has to do is make clear that, if the prime minister steps aside, then he will fight for the crown. That would draw Mr Portillo into the ring and, probably, one or two others. It would promise a bloodbath. Heseltine, probably, would still win, but at what price? The certainty of a Clarke candidacy would make many of Mr Major's enemies think twice.

A few weeks ago Mr Clarke's position was indeed unequivocal: he would fight his corner, even if he was guaranteed only a few dozen votes. Friends are now suggesting that he might change his mind. He is under pressure from the grandees of One-Nation Toryism to cut a deal with Mr Heseltine which ensures the centre-left of the party retains its grip on to the Treasury. I wonder. For all the occasional tensions, Mr Clarke has no wish to see Mr Major depart. Either way, his decision will be critical.

Which brings us to the prime minister's last card. If he cannot say no forever to a single currency, he can say it would never happen without a referendum. It would not buy off the 'phobes, but it might calm those for whom sceptic remains a more appropriate label. Mr Clarke once again remains the obstacle. He has scorned the idea that a Tory government could not make up its own mind.

There are however powerful countervailing voices. Douglas Hurd, who first raised the possibility last autumn, is a powerful advocate. So too is Michael Howard, the voice of sceptical reason in the cabinet. The chief whip supports the idea, as do most in the centre of the cabinet. Mr Heseltine is agin, but I doubt he would make a fight of it.

From the other wing of the party, Messrs Portillo, Peter Lilley and John Redwood are antipathetic. They know the promise of a referendum leaves the door open to a single currency. But many of their backbench supporters see a plebiscite as a safeguard, so the bastards have no veto. It is Mr Clarke who must be persuaded. I suspect he will be. The stakes are enormous. Many on his own wing of the party think a referendum a sensible proposition. The chancellor would have to eat some words. But could he resign rather than allow the prime minister to play this last card? I do not think so. We should know soon enough, though it will not be clear until November whether it takes the trick. From now until then all eyes will be on Mr Heseltine. I will be watching Mr Clarke.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

The test of a single currency

From Mr Michael Loup.

Sir, You reported ("No single currency, no single market", June 9) Mr Yves-Thibault de Silguy, the European commissioner for monetary affairs, as saying: "If you want to keep the single market, then you have to have a single currency." He overstates the case for a single currency but, more important, he does no mention the fact that a single currency which is not strong enough to withstand speculative pressures and collapses in value will almost certainly destroy the European Union.

Creating a strong and robust single currency must be the main objective if the enterprise is worthwhile. One of the problems with currencies seems to be the extent to which sentiment influences the market, and so it must surely be vital that the single currency is well supported within the sponsoring countries. Sterling has in recent months appeared to have suffered as the result of the UK government's lack of commitment to a more positive attitude within the EU. A single currency which is not broadly accepted by bankers, politicians and voters will suffer worse than sterling.

Would it not be sensible to encourage public support within the EU by first improving banking arrangements already existing? Transfers of funds between the UK and France are delayed by French banking practice. The loss of transfers runs into hundreds of pounds a transaction owing to the spread in the exchange rate on any day and the exorbitant charges exacted by receiving banks, say, in Germany.

Until the banks within the EU can demonstrate that the system for simple matters is improving, how can voters have any confidence that a single currency will be managed for their mutual benefit?

Michael Loup,
Herrengarten, Mandelring 229,
67433 Neustadt/Haardt,
Germany

Certainly not a provincial

From Mr Michael Manser.

Sir, I have been contacted by the person who read all of Mr Colin Amery's art column (June 5). He said that your correspondent had described me as dim and provincial. I may be dim but I am not provincial. I am an 0181 subscriber, which at the least makes me suburban. I hope you will rectify this and make suitable apologies to the inhabitants of places like Birmingham, Manchester and Newcastle.

Michael Manser,
Bridge Studios,
Hammersmith Bridge,
London W6 9DA, UK

Private investor punished yet again

From Mr Dan Bunting.

Sir, The UK government intends to treat capital gains on gilts and bonds as income; ie liable to assessment at 25 per cent, and 40 per cent for higher-rate taxpayers. It has issued a "consultative document", available for a fee.

This is the fourth recent private-investor-hostile initiative on the part of the Conservative administration. It follows the abolition of indexation for capital losses with full effect from April 1995. Before that, in his early 1993 Budget, Mr Norman Lamont reduced the tax credit associated with equity dividends from 25 per cent to 20 per cent. Before that, in the 1988 Budget, capital gains tax was changed to income tax rates, ie increased to 40 per cent for higher-rate taxpayers. This to our knowledge represents the worst capital gains tax regime in the developed world, with no form whatever of "taper-off" relief over time. It was, for that matter, the Conservatives who introduced the tax, in 1962.

We are told that a "reform" on the lines proposed is a prerequisite for the development of a complex financial instrument known as a "gilt strips market". This will promote market efficiency. It is felt necessary to minimise the period of consultation.

In these circumstances one observes that, to the government, private investors occupy a position one rung down in the social scale beneath badger-gassers. And who is going to stand up for them?

Dan Bunting,
investment strategist,
Matheson Securities,
63 St Mary Axe,
London EC3A 8AA, UK

Freedom is a smoke free area

From R.A. Currie.

Sir, One can but dream. How wonderful it would be if Philip Morris' advertisement (June 12) highlighting a small section of central London as the "Smoking section" was reality.

Philip Morris attempts to justify smoking in public by reference to personal liberty. Passive smoking has been conclusively proven to be harmful, especially to children. Should not my or my children's right to be protected from other's harmful smoke be more important than the smoker's right to pollute my environment?

Philip Morris also attempts to justify smoking by showing the number of employees in the tobacco trade. It would be possible to justify anything in this way – justify the slave trade by keeping seamen in work? Justify unsafe goods by keeping medical staff in work?

These arguments are the arguments of a desperate and dying industry. Smoking in public is becoming widely accepted as anti-social, unhealthy, and inconsiderate, and something that needs to be stopped.

R.A. Currie,
14 Thorn Close,
Kettering,
Northamptonshire NN16 9BU,
UK

Influences on world food standards

From Professor Tim Lang.

Sir, It is not just trade experts who await with interest the outcome of the first two food safety test cases to go through the new General Agreement on Tariffs and Trade/World Trade Organisation disputes procedures ("Health matters high on the WTO menu", June 8). The eyes of public health and consumer interest groups are also finely focused. At stake is not just the complex issue of what is good science, but how democratic the procedures are. The sanitary and phytosanitary standards agreement gave astonishing "influence" to the Codex Alimentarius Commission, a UN body, to set yardstick world standards.

A study of the Codex participation in the 1989-1991 *Cracking the Codex*, which I co-authored for National Food Alliance and was endorsed by a large coalition of consumer and environment groups worldwide, found a disturbing picture of who is involved and of a distinctly unlevel playing field. Of the total of 2,578 people who attended Codex's 16 working groups (where the standards are set, then to be ratified at full Codex meetings) over the two year session we studied, there were 660 participants from industry compared to just 26 from public interest organisations.

There were 105 countries participating, but 140 of the world's multinationals: Nestlé, the world's largest food company, sent more representatives to meetings than did most countries. The US sent more representatives that the entire continent of Africa. At the additives and contaminants meetings, for instance, 41 per cent were from transnational corporations or industry federations.

Despite considerable pressure to reform this archaic and arcane system of setting what are now *de facto* world food standards, the Codex procedures were not reformed in the Gatt negotiations. Was this a sign of the new world order: capture of the agencies by the powerful?

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The merchant bankers' dance

Alongside Kleinwort Benson's wooing by Dresdner Bank put the purchase of S.G.Warburg by Swiss Bank Corporation, the wobbly outlook for Salomon Brothers and the likely end of the US's Glass Steagall barrier between commercial and investment banking.

Together they illustrate an unmistakeable trend: the dominant financial players increasingly provide not merely underwriting, corporate finance, brokerage and marketmaking – the traditional roles of an investment bank – but also retail and commercial banking, fund management and insurance.

You may doubt the synergies in such diversified businesses; but for good or ill the trend is clear. Look at Morgan Stanley, an investment bank which has built up a strong line of non-cyclical businesses in fund management and custody; at CS Holding, which has subsidiaries that range from commercial banking to full-scale investment banking; or at Merrill Lynch, investment bank, retail broker and money manager.

The race includes J.P. Morgan, Deutsche Bank, Bankers Trust, SBC, and UBS, all more widely diversified than the traditional investment bank. Even Goldman Sachs, still a private partnership, has a commodities arm.

In some countries, especially in continental Europe, diversified "universal banks" have always dominated. But in three of the biggest financial markets – the US, Britain, and Japan – regulation created a distinct role for independent brokers, dealers and underwriters. In the 1970s and 1980s these distinctions broke down, and the big US firms led the race to bring together many types of financial activities.

As Warburg found, this big league of investment banking requires a large, inflexible cost base. Each time the interest rate cycle turns down, another of the big undiversified investment banks falls casualty. Nervous smaller players are pushed into protective mergers.

The most eager participants in the latest wave of financial services consolidation are the European universal banks. Backed by large, still partly protected deposit bases, they possess an enviable scale and stability of resources.

As always in banking, it is open to question whether the public benefits from acquisitions backed by implicit government guarantees and access to cheap funds. And, for shareholders, the push into investment banking may prove costly. As Morgan Stanley's interest in Mercury Asset Management underlined, the City is most competitive in equity fund management, which now outstrips the more glamorous corporate finance in value.

So far, the foreigners have spent more on the mature end of merchant banking than on the part with most potential. This should calm the fears of those who care about nationality of ownership. More broadly, it raises a question over whether this latest banking fad will prove more durable – or more profitable – than its predecessors.

Testing times

France's decision to resume nuclear testing in the South Pacific is a blow to the prospects of a comprehensive test ban treaty, and no more palatable for being predictable. Ever since François Mitterrand announced a moratorium in 1992, right-wing politicians in France had been agitating for a resumption of tests, and there were signs during the presidential campaign that Jacques Chirac would fulfil this wish.

There may be scientific arguments in favour of more testing: the present moratorium was strongly opposed by defence scientists in both Britain and the US. But Mr Chirac's decision is above all political, as its announcement on the eve of his first presidential visit to the US suggests. Renewed testing reinforces the image of France as an independent military entity capable of acting against American wishes in the most potent of ways, and proves to Mr Chirac's supporters that a new and bolder hand is now at the helm of the French state.

Unfortunately, there is a price to be paid for this reaffirmation of French virility. The environmental impact of the tests is of concern, and worries about the geological stability of the Mururoa test site have not diminished. There is also a wider danger that progress towards the Comprehensive Test Ban Treaty could be undermined, particularly now that the nuclear Non-Proliferation Treaty has been indefinitely renewed and pressure on the nuclear weapons states has eased.

China's detonation of a nuclear weapon within days of the end of the NPT conference was a snub which the non-nuclear weapons states will have felt keenly. Now France has followed. There are those on the right in the US who argue that the abandonment of testing is a curb on American freedom of action for which the US has received nothing in return. Their demand for a resumption of tests could become an issue in next year's presidential election. The British defence establishment would give discreet support to this demand, since the US moratorium stopped Britain using the test site in Nevada while its Trident warhead development programme was still incomplete.

Even if the lengthy process of negotiating the Comprehensive Test Ban does not unravel, and a treaty is finally concluded next year, the resumption of testing is another crack between the nuclear powers' rhetoric on disarmament and their continuing weapons development programmes. Nuclear weapons will only be contained if the nuclear powers actively work towards arms reductions at the same time as exhorting others to be chaste. The French decision is hardly consonant with that objective.

If this mushroom cloud has a silver lining it is France's pledge that this series of explosions will be its last. Even so, the blasts beneath the Pacific will weaken the foundations of the world's avowed effort to prevent the spread of nuclear weapons.

Troubled waters

Not yet out of sight; certainly not out of mind. The Brent Spar oil platform, towed by tugs from its site to the North Sea, is today near the end of its journey to a seabed grave some 150 miles west of the Hebrides. Its owners, the Royal Dutch/Shell Group, want to scuttle the rig there in 2,000 metres of Atlantic waters. But the scheme is presenting them with a public relations nightmare. German and British environmental groups are urging a boycott of Shell petrol. The German government now intends to raise the question of rig disposal with UK ministers, and may press for a ban on deep sea dumping.

Environmentalists have attacked Shell's plans for Brent Spar on the grounds that the platform's storage tank, which contains a residue of heavy metals and low-level radioactivity, will pollute the sea. They are right to say that Shell should supply extensive data about the materials in the platform. But environmental concerns are easily exaggerated; the capacity of the deep oceans to dilute pollution is often underestimated. Shell's case that the Brent Spar dumping would cause negligible damage has some weight.

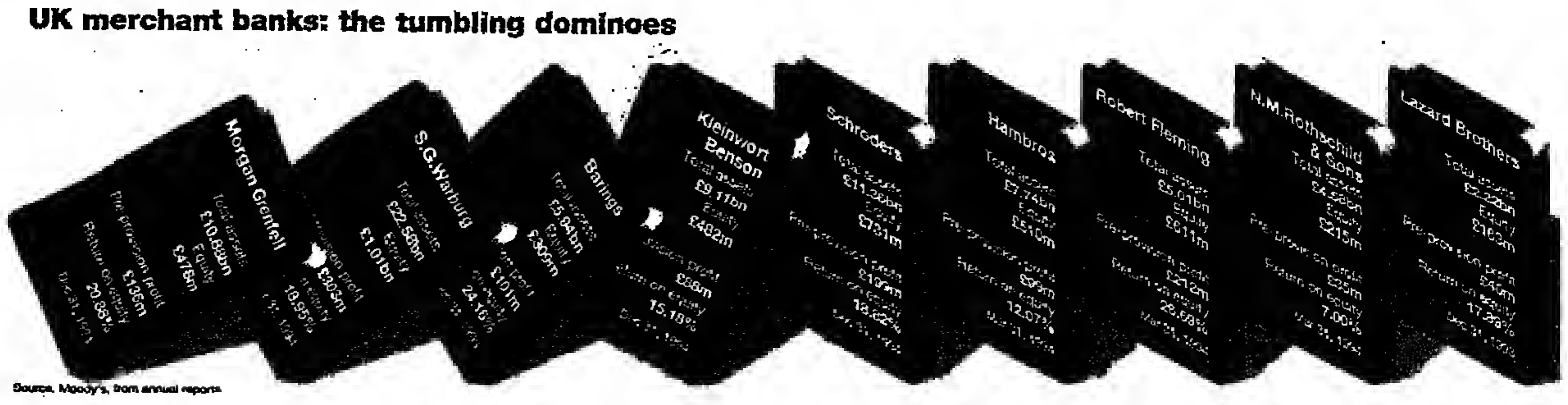
That is not to say that Brent Spar should set a precedent of deep sea disposal for the 220 oil platforms which litter the North Sea, and which will steadily become redundant. Brent Spar presents problems which other rigs will not; it is larger and dirtier than most, since it is a pure storage facility, with no drilling equipment. Smaller rigs can easily be towed to land and cut up. But it is useful that Brent Spar is in the vanguard: the row has increased pressure for a wide debate about the rigs' fate.

So far, the UK government has resisted that pressure. It argues that deep sea dumping is within guidelines set by the International Maritime Organisation, the United Nations agency which overseas sea pollution. That stance still leaves it with a charge to answer.

The underlying issue, which has fuelled much of the anger in the UK and abroad, is whether Shell and the UK government are flouting the principle that polluters should pay for cleaning up their activities. Other countries accuse the UK of taking the benefits of North Sea oil without accepting the full costs. UK taxpayers may also feel unhappy: under the tax regime permitted to oil companies, they may end up bearing 60 per cent of the cost of dismantling some rigs.

The UK government has said repeatedly that "polluter pays" is one of the central planks of its environmental policy. It now needs to demonstrate that this is the case. For a start, it should insist that industries such as oil and gas make full provision in advance for future decommissioning and environmental repair. It should also be prepared to discuss the fate of all the rigs with other countries bordering the North Sea, in order to find an internationally-acceptable solution.

UK merchant banks: the tumbling dominoes



Source: Moody's, from annual reports

No end to the wave of buying

John Plender and Andrew Fisher on the implications of Dresdner Bank's approach to Kleinwort Benson

Like so many dominoes, the British-owned merchant banks are tumbling into foreign hands. News of Dresdner Bank's talks with Kleinwort Benson follows Swiss Bank Corporation's recent approach to S.G. Warburg and ING's decision to swallow up Barings. The parallel with the rush to buy UK brokers before the Big Bang in 1986 is overwhelming. Will today's acquirers be any more successful than those which overspent in the mid-1980s?

Certainly there appears to be a strong "me-too" aspect to the present buying wave. Dresdner, Germany's second largest commercial bank, tends to follow what its bigger domestic rival does; and Deutsche Bank (with total assets of DM573bn) is energetically building up its London investment banking operation, based around Morgan Grenfell which it bought in 1989.

That said, Kleinwort Benson's position bears no resemblance to that of UK broking firms before Big Bang, when they were about to lose a profitable franchise in the old Stock Exchange cartel. From a disastrous pre-tax loss of £77m in 1990, the British merchant bank has made a recovery which draws tributes from its rivals, returning to profits of £97m last year.

It has carved out a significant place for itself in international privatisation work and has established a respectable market share in the highly competitive international mergers and acquisitions business. It has also established a solid record in international equity financing.

There are, then, real attractions for any bidder in Kleinwort's portfolio of businesses. The question is whether they represent the right building blocks for Dresdner's wider aspirations in wholesale financial services. Dresdner, true to its reputation as one of the least communicative of Germany's big banks, was reluctant to comment yesterday beyond a brief announcement. But in the view of many analysts, there is a clear logic.

According to Mr Stephen Lewis, European banking analyst at Union Bank of Switzerland, 72 per cent of Dresdner's revenues come from Germany, far more than at Deutsche Bank (64 per cent) and slightly more than at Commerzbank (71 per cent). Buying Kleinwort would shift the balance abroad. "From a strategic perspective, this is a good move if Dresdner wants to be stronger in international investment banking," he says, "and probably the only way to achieve this aim."

Then there is the question of price. Dresdner has never liked paying too much. It lost out to National Australia Bank in the competition to buy Yorkshire Bank in 1990. It considered buying Lehman Brothers, the US investment bank, but shied away at the likely price. There have also apparently been board disagreements over the possible DM2.2bn price for Kleinwort.

Yet Dresdner, which declined an opportunity to take a stake in Kleinwort in 1991, may feel that its hand is now being forced by events, as others cast a predatory eye over the remaining quoted UK merchant banks. Its apparent readiness to pay what promises to be a generous price reflects the fact that it would find it hard to build up alone what Kleinwort already has. "They are buying product knowledge which they would not get through the organic route," said Mr Chris Williams, banking analyst at Fox-Pitt Kelton, the UK stockbroker. "This plugs a product gap."

Closing that gap will take Dresdner a long way towards its ambition of becoming a more global bank, following Deutsche's example. Dresdner has a small investment banking presence in London and only began asserting itself in the US when it bought out Bayerische Hypotheken- und Wechselbank as a partner in ABD Securities in New York last year and changed its name to Dresdner Securities USA. It bought Thornton, a UK fund manager specialising in Asia, and Oechsle, a US international fund manager, in the late 1980s, but these were hardly high profile deals.

Showing that it can be aggressive, though, the bank recently boosted the capital of the US investment banking arm sixfold by $200m to add strength in the dollar bond market.

From Kleinwort's perspective, Dresdner would offer a safe and well-capitalised home. It also provides an answer to the UK merchant banks' big strategic dilemma: how to operate in highly competitive global markets from a base in a small domestic economy. In effect, the better capitalised US investment banks, with a hugely profitable domestic market, have succeeded in sweeping the global pool in cross-border wholesale financial services. No foreign investment bank offers them competition across the full range of services.

Global investment banking is expected to show rapid growth for the foreseeable future. Yet the trend is for fee income to shrink, while profits come increasingly from higher risk, more capital-intensive activities such as trading in securities and derivatives markets. In a business like this, there may be no tenable middle ground between the big league and the league for small, niche players. Opting for a change of ownership thus becomes a sensible strategic move.

The risk for Dresdner is that buying Kleinwort still leaves it a long way behind the leaders of the investment banking business such as Goldman Sachs, Merrill Lynch and Morgan Stanley. It may have something to build on, but the UK merchant banks lack strength in many of the key areas, including bond trading and derivatives. Much of the value in UK merchant banking is now in asset management. Yet Kleinwort has not matched the success of Schroders or Mercury Asset Management in this area, with about £16bn of funds under management, compared with an estimated £66bn for MAM and £63bn for Schroders.

Moreover, as Mr Patrick Frazer of banking consultants DIBC puts it, there is a well-established "rich parent" syndrome that the German bank has to overcome. Hill Samuel, among UK merchant banks, is a notable example of the difficulties of climbing back to market prominence even with the backing of the TSB. While Morgan Grenfell has been a very profitable subsidiary for Deutsche Bank, the mark it has made in global markets has not been commensurate with the strength of its parent.

Another risk is that the balance of power in investment banking has shifted significantly from the organisation to the individual. Part of the rationale for Warburg's decision to accept a far from generous bid from Swiss Bank Corporation was that it was suffering from defections, notably to Morgan Grenfell. On Wall Street, Salomon Brothers has been hurt by an exodus to UBS, which has been trying to build up its US operations. Merrill Lynch has lost key people, again to Morgan Grenfell, while CS Holding has been similarly hit by departures.

Marrying the culture of commercial banking to investment banking is not easy. Of the US commercial banks that bought into the UK before Big Bang, not one emerged with a decent business.

Even assuming that Dresdner can overcome the cultural problems in acquiring Kleinwort, it faces a long haul. It must hope that, as with Deutsche's acquisition of Morgan Grenfell, what appeared an expensive buy at the time will turn out to be respectable in due course. There seems little doubt that the shareholders in Kleinwort Benson will emerge with a better deal than those at Warburg. With Kleinwort capitalised at not far short of £1bn, compared with shareholders' funds of £482m on December 31st, the premium for a second-tier merchant bank is handsome indeed.

CORRECTION

In yesterday's article about Japan, the net value of equities sold by Japanese life assurers in the last month should have read Y200bn.

Why it is time to close down the IMF

PERSONAL VIEW

It is time to abolish the International Monetary Fund. Set up to monitor a fixed exchange rate system that has long since disappeared, the IMF has become a government-to-government welfare agency that transfers wealth at its own discretion, yet fails to promote real market reform.

Not only are the mechanisms it uses for effecting such transfers profoundly undemocratic but they also stoke up inflation and tend to hinder the process of economic reform rather than help it along.

The organisation, in sum, does more harm than good. Officials at this week's Group of Seven summit in Halifax, Nova Scotia, should be discussing how to close it down.

At its meeting last September, the IMF proposed to issue more than $50bn of Special Drawing Rights, its version of paper money, to increase liquidity. Much of the new money would have been given to Russia and other states of the former Soviet Union, to encourage economic reform and the development of a market economy.

The plan was defeated because other developing countries wanted more of the new money for themselves. A coalition of Latin American and other developing nations marshalled enough votes to stop the transfer.

It would have been more acceptable if the plan had been defeated because it was foolish, wasteful, costly and undemocratic. After all, the creation of SDRs allows an unelected international body to transfer wealth from developed to developing countries without votes by Congress or any of the parliaments of IMF members.

SDRs were created 25 years ago when the principal countries of the world were on the Bretton Woods system of fixed exchange rates. They were supposed to supplement gold as a reserve and source of liquidity while avoiding the costly process of digging it up.

But whatever validity this reasoning may have had in the 1960s, it has none now. The Bretton Woods system ended in 1971 and cannot be restored.

And issuing SDRs is also inflationary: in a sense, no different from printing money. SDRs confer a right to buy goods without any addition to the stock of goods. The world price level must rise as a consequence. It is easy, but wrong, to dismiss the inflationary effects as small on the grounds that countries can offset them by controlling their money stocks.

Funds are often used to maintain subsidies to inefficient state enterprises, instead of eliminating them.

Even without the authority to issue new SDRs, the IMF transfers wealth from the citizens of developed countries to recipients in its client states in the form of loans. The $14bn loan proposed this year to support the Russian government is one example.

Unlike the issue of SDRs, making loans may require the IMF to persuade member countries to increase its capital from time to time. The parliaments of member countries therefore have at least some say in whether the funds are granted and made available for transfer to IMF clients.

But the money the IMF gives to countries such as Russia often does little to encourage the reforms it is intended to promote. Funds are simply handed over to the governments and are consequently often used to maintain subsidies to inefficient state enterprises, instead of eliminating them.

In Russia, the IMF has concentrated on controlling inflation and closing the budget deficit, and – to date – has little to show for its efforts. This is because it was slow to recognise that reform requires laws to protect property, a commercial code, bankruptcy laws, accounting standards, a financial system and privatisation.

Russia is not the only failure of IMF policy. It prolonged the debt problem of the 1980s by lending additional funds to debtor countries to maintain the fiction that the debtors were not in default. Eventually, the debts were written down.

This year, it advanced $7.8bn to Mexico and promised an additional $10bn if that country achieves certain stabilisation goals. Has this money helped most Mexicans? I think not. The loan has been used to intervene in the foreign exchange market and to buy up government securities. The result is that Mexico has a larger debt, while bondholders have been spared some losses.

The IMF was set up to monitor and support a fixed exchange rate system that has disappeared. The original plan was flawed and lasted only a few years after convertibility was restored. By 1971, even the last pretence that there was a fixed exchange rate system had disappeared. A quarter century later, the IMF should disappear also.

Allan Meltzer

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OBSERVER

Dunn roaming

■ Lydia Dunn, the veteran politician and businesswoman who repeatedly stressed her intention of remaining in Hong Kong through the handover to China in July 1997, yesterday said she will actually be moving to London next January.

Besides being the only Hong Kong Chinese member of the UK's House of Lords, Baroness Dunn is senior member of the Executive Council, governor Chris Patten's top advisory group. She says she's still confident about the colony's future. So why up sticks? Family reasons – though the offer of a job on the board of the Swire Group in London won't go amiss.

Though born and schooled in Hong Kong, Baroness Dunn is considered more British than the British. But that's only half true; after all, the full title on her warrant is "Baroness Dunn of Hong Kong Island in Hong Kong and of Knightsbridge in the Royal Borough of Kensington and Chelsea". Who knows – she may be bumping into Patten again quite soon.

High-jumpers

■ Oh to be a Budapest taxi-driver – or other provider of services – when the International Olympic Committee is in town, as it has been this week, deliberating on which lucky place will host the Winter Games in 2002.

The four finalists – Ostersund in Sweden, Quebec City, Salt Lake City in the US and Switzerland's Sion – have all been lobbying hard, even though IOC rules ban gifts worth more than $200 to delegates.

Salt Lake City is the favourite, and yesterday staged a huge street festival, a downtown public park aimed at showing the world that it's possible to have a good time in Utah, despite being largely populated by Mormons, who don't much take to smoking and drinking. Salt Lake city has spent nearly $7m on its bid – but calculates the economic benefits of getting the Olympics at $887m. Quite a multiplier.

Far too rich

■ There was an awkward moment at yesterday's lavish Praemium Imperiale award ceremony at London's Banqueting House in Whitehall. Sir Edward Heath, master of ceremonies, was asked why it was necessary to honour outstanding achievements in the arts world by giving the five lucky winners £110,000 each.

Given that Sir Andrew Lloyd Webber, who picked up the music award, is reckoned to be worth £380m, the questioner had a point. Might not it be better to share the loot round less well-off artists? Sir Edward buffed and puffed before passing the question to Helmut Schmidt, former German chancellor who, along with Japan's Yasuhiro Nakasone and Italy's Amintore Fanfani, were there to add some class. Schmidt in turn was stumped – and passed the question to one of his Japanese paymasters.

There was too much chortling over cheques for Observer to catch the mumbled response.

Late postal delivery

■ German government ministers are rapidly turning into antique dealers. First Klaus Kinkel, foreign minister, goes to Warsaw to persuade the Poles to hand over Mozart's manuscripts. Then Wolfgang Bötsch, minister for post and telecommunications, touches down in Riga to return 26,400 Latvian stamps – estimated worth, DM2.3m – which the Nazis filched during the second world war. The stamps turned up in the cellar of the former East German Post Museum.

Bötsch's trip was no simple philanthropy. Bonn and Moscow are still haggling over the return of priceless works of art, carted off by Soviet troops after 1945; returning the stamps is part of a scheme to breathe new life into the negotiations. For those slow on the up-take, Bötsch spelt it out: "Germany is prepared to give back cultural objects which disappeared illegally during the war... I hope this ceremony therefore has the necessary political effect on recuperation talks with other countries."

Bongo-bongo land

■ One vehicle which has eluded US trade chief Micky Kantor's hit-list of Japanese imports is Mazda's new Bongo Friendee. Just unveiled to compete in Japan's crowded but trendy sports-utility market, the vehicle features a fridge, gas cooker and sink in its camper guise.

Sales of recreational vehicles in Japan virtually doubled between 1988-93. Mazda, which is 25 per cent owned by Ford, hopes the Bongo Friendee will give it a bigger slice of that action. Can't see it as much of a challenge in the US, where Americans will probably think the Bongo Friendee is either some kind of virtual reality frisbee, or a new variety of exotic pizza.

Chirac quivers

■ It seems that Australian brothels and sex shops are staging a boycott of French sex aids and French sexual terminology, in protest against President Jacques Chirac's decision to resume nuclear testing in the South Pacific.

Among the less explicit matters under revision is the term French kiss, which is to be replaced by an (as yet unspecified) Australian version. "Bondi dip" seems to be gaining ground over other contenders.

The Financial Times

50 years ago

Bank of NZ valuation
At the annual meeting of the Bank of New Zealand, the chairman, Mr Donnelly, a Government appointee, complained that the directors were not consulted before the decision to nationalise was taken. He said he had advised the Government months ago that he would resign if the State took over the bank.

Rover saloon cars
Following its recent decision to transfer its headquarters from Coventry to Solihull, Birmingham, the Rover Company factories are now being replanned and tooled for car production, and cars will be leaving the assembly line in the coming autumn. Restricted production only will be possible for some time.

Lord Perry's view
Lord Perry, chairman of the Ford Motor Company, said at the company's luncheon at the Dorchester Hotel in London that he did not think there would be a public demand for cars at the new prices. He thought that, so long as there was purchase tax plus car taxation, the Chancellor of the Exchequer had passed the point of the law of diminishing returns.

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Russians ready to give brutal response to brazen terrorists

Yeltsin compares Budennovsk attack to Oklahoma bomb

By Chrystia Freeland in Moscow

The open manner in which 100 gunmen drove buses into the heart of Budennovsk, a city of 100,000 in southern Russia, highlights how what was one of the most strictly-policed states in the world now risks descending into anarchy.

But the attack also exposes Russia's deep-rooted authoritarian impulses – impulses which have sometimes been obscured by the country's current chaos.

Less than 24 hours after the attack, armoured personnel carriers were stationed at all of the entrances to Moscow, and police and soldiers, sweating in heavy flak jackets, were guarding bridges and metro and railway stations. They were brusquely questioning all swarthy-faced passers-by on the assumption that they might be Chechens.

It is generally assumed in Moscow that the Budennovsk gunmen are fighters from the neighbouring territory of Chechnya, where Russian forces have been battling for the last six months with separatist guerrillas. In Budennovsk itself, troops yesterday exchanged fire with the gunmen who were holed up in a hospital, where according to official Russian estimates, they had imprisoned between 300 and 1,000 hostages.

The tough armed response was echoed by tough words from the Kremlin. Mr Boris Yeltsin, the Russian president, described the attack as "a villainous act marked by unprecedented cruelty", and vowed to "neutralise" the terrorists still holding hostages in Budennovsk and redouble the campaign against their armed compatriots in separatist Chechnya.

The government's fierce reaction to the most serious terrorist attack in recent Russian history also included a swipe at western critics of the war in Chechnya. Mr Yeltsin said that Budennovsk put an end to all disputes about the nature of Mr Dzhokhar Dudayev's separatist regime in Chechnya. The Chechen rebels, Mr Yeltsin said, were merely "trigger-happy criminals" rather than defenders of "national liberation" as, he said, they have sometimes been portrayed.

Branding the Chechens as terrorists, allows Mr Yeltsin to continue describing the action taken against them not as a war but a police operation - and to try to rally support for himself.

Although the attack on Budennovsk has not yet inspired a broader political crackdown, there are fears that it might. "Had there not been an attack on Budennovsk, the Kremlin would have needed to invent one," said one prominent Moscow banker, who asked that his name not be used lest it sour his relations with the government. "Budennovsk could serve as a pretext to declare martial law in all of Russia, and it will certainly be the beginning of a pogrom against the Chechens."

A representative of the Chechen community in Moscow shared these fears. "All this means is that 'black' and 'coloured' passers-by will be stopped all the time in the streets and searched," he said. "All these new repressions will affect not only Chechens, but refugees from Georgia, Abkhazia and Azerbaijan."

In Chechnya, Mr Dudayev has denied responsibility for the attack, but his spokesmen admit it could have been the work of a disobedient group of Chechen militants.

Meanwhile, Mr Yeltsin is likely to try to turn the Budennovsk incident to his own advantage on the international stage. Senior aides said yesterday Mr Yeltsin planned to raise the issue at the G7 meeting today in Halifax, Nova Scotia, as a defence against their criticism of the military intervention in Chechnya.

The foreign ministry said yesterday Russia was struggling against terrorism just as western governments were confronting their own terrorist threats at home. By portraying Budennovsk and, by extension, the war in Chechnya, as the Russian version of the attack in Oklahoma City and IRA terrorism in Britain, Mr Yeltsin will be seeking a sort of tragic fraternity with his western counterparts.

But, while the attack on Budennovsk marks Russia's brutal initiation into the dangers of an open society, the genesis of the gun battle owes as much to the strong-armed policies to which Russia's new leadership still tends to resort.

The Chechen gunmen in Budennovsk might answer that their attack was an extension of the war being waged by Russians in their country, rather than simple terrorism. The attack on Budennovsk is a mild version of the devastation which has been wrecked on most of the towns and cities of Chechnya over the past six months.

But for the Kremlin, Budennovsk is an opportunity to argue for continuing to wage the Chechen war with the utmost resolve. As political analysts such as Mr Zbigniew Brzezinski, a former US national security adviser, have argued since the collapse of the Soviet Union, the danger is Moscow will find it impossible to suppress rebellious ethnic groups on its periphery without imposing a repressive regime throughout the country.

Shelling starts in Sarajevo

Continued from Page 1

reneged on promises to allow freedom of movement to more than 90 UN personnel who are manning observation posts around Sarajevo. The Serbs are still holding another 26 UN peacekeepers hostage.

In Washington, Mr Bildt was joined by Mr Jacques Chirac, the French president, in urging Congress to agree to US funding for a new Anglo-French rapid reaction force.

Mr Bildt said that if Congress did not withdraw its objections, there will be "rejoicing in Pale" (the Bosnian Serb capital) and even less chance of starting a peace dialogue.

Mr Bildt said the resumption of direct negotiations with the Bosnian Serbs, as proposed in the US this week by former President Jimmy Carter, was not "the preferred option". But he said that differences within the contact group – the US, UK, France, Germany and Russia – over how to handle Bosnia were merely "nuances".

HK airport funding crisis threatens new contracts

Agreement on borrowing terms is held up by Sino-British dispute

By Peter Montagnon in London and Louise Lucas in Hong Kong

The authority building Hong Kong's new airport is running out of funds and will have to cease letting new contracts if a row between Britain and China over fresh financing terms is not settled by late July.

British and Hong Kong officials had hoped a speedy airport agreement would be possible in the improved climate after last week's accord on a court of final appeal for the territory.

Chinese officials this week said they were optimistic about the chances, but there has so far been no breakthrough.

Work on the HK$158bn ($20bn) airport project on reclaimed land off Lantau Island has so far been financed by equity contributions from the Hong Kong government.

However, contributions from this source have reached their limit and the Provisional Airports Authority (PAA) now needs to begin borrowing to continue with the project.

Britain and China reached a framework agreement on financing for the airport the last November, but are still arguing over the wording of supporting documents which will enable the PAA to raise money on international debt markets.

Officials say the sticking point concerns China's insistence on strict limits for debt and equity financing. That leaves insufficient flexibility for extra infusions of equity to cover any cost overruns during the airport's construction.

Time is running out as the Legislative Council breaks for the summer recess on July 26 and the finance committee, which must pass the agreement on the support documents, sits for the last time in the current session on July 28.

If the documents are not approved before the summer recess, the PAA will not have the funds, or proof of funds forthcoming, to sign up more contracts.

Beijing's approval is required because the project runs beyond 1997 when Hong Kong reverts to Chinese sovereignty. The Chinese government has been concerned it will inherit a large debt burden.

Earlier this month, Mr Lu Ping, China's top official in charge of Hong Kong affairs, was reported to have told a meeting of the Preliminary Working Committee (China's "government-in-waiting") that the two sides had just "the last few metres of the marathon" to go before reaching agreement.

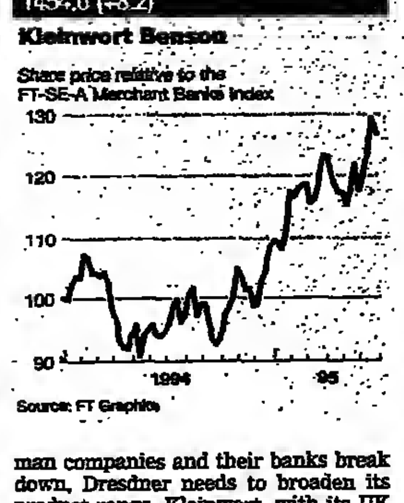
The PAA awarded a HK$231.7m contract yesterday to GEC (Hong Kong) for flight information display systems, the last of nine information and communication systems contracts together worth HK$1.1bn.

THE LEX COLUMN

Courting Kleinwort

Britain's merchant banks are falling like skittles in a bowling alley: first Barings, then S.G. Warburg and now probably Kleinwort Benson. Unlike Barings and Warburg, Kleinwort has not been forced into merger talks out of desperation. Even so, the writing was on the wall.

FT-SE Eurotrack 200:
1454.0 (+3.2)



Source: FT Graphics

Kleinwort is a middle-sized investment bank with little distinctive edge. As larger rivals build global securities distribution networks, it could find itself squeezed. It is sensible to do a deal now, while its finances are in reasonable shape.

Dresdner looks a good match. Though the culture clash could be massive, there will be little overlap and little blood-letting. Dresdner also seems likely to use Kleinwort as the heart of its investment banking strategy – ramming home just how poor are Frankfurt's prospects for challenging London as Europe's leading financial centre.

The putative £1bn price-tag is fair but not outstanding. If Kleinwort's investment management operations are valued at 2½ per cent of funds under management, the investment banking business comes in at a 20 per cent premium to net assets. That is more than Swiss Bank Corporation paid for Warburg, but then again Kleinwort is not falling apart in the way Warburg was.

A bidding auction is unlikely. After seeing morale at Warburg collapse after its failed merger talks with Morgan Stanley, Kleinwort has every incentive to cement this relationship fast. Meanwhile, other possible buyers such as ABN-Amro or NatWest are unlikely to bid, because the overlap with their existing businesses would be large.

From Dresdner's perspective, the proposal shows that the innovative, progressive bankers on its board are gaining ascendancy over the backwoodsmen. Though the bank's dominant personality is stodgy and bureaucratic, it is also crafty – nimbly avoiding the debacles which have dogged Deutsche Bank in recent years. Moreover, Dresdner has been adept in recruiting talented capital markets professionals, winning a good reputation in derivatives and international capital market transactions, notably its own pioneering global share offering.

Dresdner's move is partly a belated, copy-cat reaction to Deutsche Bank's acquisition of Morgan Grenfell five years ago. But it has some logic. As traditional relationships between German companies and their banks break down, Dresdner needs to broaden its product range. Kleinwort, with its UK focus, may not quite do the trick; but it could be beefed up through investment or further acquisitions.

Kleinwort's prospective loss of independence may mark a pause in the restructuring of the UK merchant banking sector. Though Hambros could be acquired, it is too much of a hotchpotch to prove a platform for building a global securities business; it is more likely to be a candidate for a break-up bid. The other merchant banks or brokers – Robert Fleming, Rothschild, Schroders, Smith New Court, Cazenove and Lazard – are dominated by families or other large single shareholders. Moreover, each has distinctive edges in the way that Kleinwort does not. But the same could have been said of Barings. More skittles could yet fall.

France

This week's assault on Mr Gérard Worms, Suez's chairman, is on the face of it a triumph for Anglo-Saxon-style accountability in France. The triple attacks by the chairmen of UAP, Elf and Saint-Gobain at the annual general meeting were not only unprecedented, they were also framed in the language that international fund managers understand, namely the desire to desire to maximise shareholder value.

Such a stance should be welcome, if it could be taken at face value. At least when French groups were nationalised, chairmen could be fired by the French President. Now, these former civil servants, surrounded by a board of friends, are almost impossible to dismiss. Alcatel-Alsthom's market capitalisation halved in 18 months before management was changed. The present system is untenable.

The problem is that the triumvirate's denunciation of Mr Worms has far more to do with their old-fashioned ambitions to work with BNP in carving up Mr Worms' ailing empire, than any genuine concern to enhance shareholder value. BNP's recent shoddy treatment of minority shareholders at CIP demonstrates its true attitude to shareholder value. Change will come from without, rather than within, the system. Non-French shareholders own an increasing proportion of the market. For some companies, more than half of the shares not held in noyaux durs are now owned by foreign institutions.

UK electricity

The Monopolies and Mergers Commission's report on Scottish Hydro-Electric is an embarrassment for the industry regulator as he completes his review of regional electricity companies' price controls. The MMC's pragmatic treatment of Scottish Hydro carries an implicit rejection of Professor Stephen Littlechild's academic approach. But the differences are apparent in the detail rather than the broad conclusion. This does not mean the report is good news for the recs. The MMC's methodology still leaves the regulator plenty of room to enforce price cuts. The MMC's recommendation, if implemented, will boost Scottish Hydro's profits by £22m over five years, according to the company. That may encourage any recs which do not like the regulator's new pricing regime, when it is announced next month, to seek a referral.

This could further damage share prices in the short run. Recs currently appear undervalued - assuming a pay-out to shareholders following the planned flotation of the National Grid. But an MMC referral would probably delay flotation until the end of next year. Consequently, there is little reason to buy shares either ahead of the review or during the current spate of results. Investors expecting other recs to follow Seeboard's example of offering a package of benefits for shareholders and customers are likely to be disappointed. Most are keen to avoid doing anything which would further convince the regulator of their ability to implement substantial price cuts.

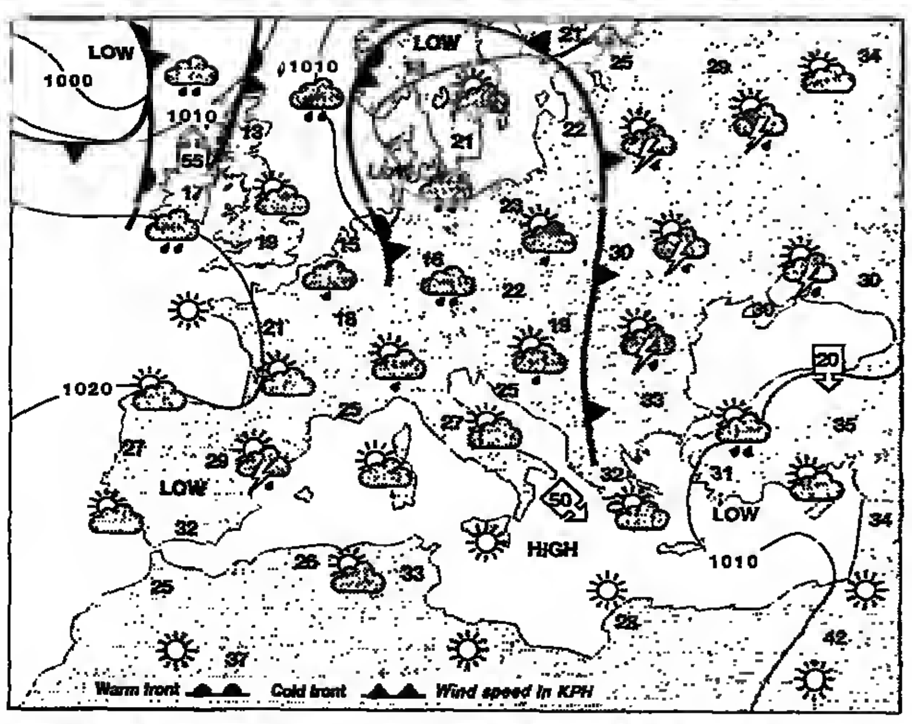
FT WEATHER GUIDE

Europe today

Cloud, scattered rain and showers are forecast for north-western Europe. These regions will be cool, with afternoon temperatures below 16C. Meanwhile, conditions in the UK will be generally dry, except for the north-west where a new depression will bring cloud and drizzle. Southern France and Spain will have sunshine. However, there will be afternoon thunder in north-eastern Spain. There will be occasional thunder showers over south-eastern and eastern Europe, interspersed with sunshine. Maximum temperatures will top 20C. Central Europe will have cloud, light rain and temperatures around 20C.

Five-day forecast

A cold front with cloud and rain will cross the UK on Saturday and will flow into the Continent. The UK and the Low Countries will have sunshine, afternoon temperatures rising to about 20C. Scattered cloud and thunder showers are forecast for eastern and south-eastern Europe. An area of low pressure will mean strengthening winds over southern Scandianvia.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum		Beijing	shower	33	Caracas	thund	31	Faro	sun	24	Madrid	thund	29	Rangoon	rain	29
	Celsius		Belfast	cloudy	16	Cardiff	fair	19	Frankfurt	drzzl	18	Majorca	fair	26	Reykjavik	rain	11
Abu Dhabi	sun	39	Belgrade	fair	26	Casablanca	fair	23	Geneva	shower	21	Malta	fair	30	Rio	sun	28
Accra	shower	29	Berlin	drzzl	20	Chicago	sun	31	Gibraltar	fair	26	Manchester	cloudy	17	Rome	fair	25
Algiers	fair	28	Bermuda	fair	28	Cologne	rain	16	Glasgow	drzzl	16	Manila	thund	35	S. Frsco	shower	17
Amsterdam	rain	15	Bogota	fair	21	Dakar	cloudy	26	Hamburg	rain	17	Melbourne	fair	14	Seoul	fair	28
Athens	sun	32	Bombay	shower	33	Dallas	sun	33	Helsinki	shower	23	Mexico City	shower	21	Singapore	fair	34
Atlanta	sun	29	Brussels	drzzl	16	Delhi	sun	45	Hong Kong	shower	30	Miami	shower	31	Stockholm	fair	22
B. Aires	fair	15	Budapest	shower	23	Dubai	sun	39	Honolulu	fair	27	Milan	rain	21	Strasbourg	rain	19
B.ham	cloudy	16	C.hagen	cloudy	17	Dublin	cloudy	17	Istanbul	fair	30	Montreal	fair	25	Sydney	shower	15
Bangkok	thund	35	Cairo	sun	42	Dubrovnik	sun	26	Jakarta	fair	31	Moscow	thund	28	Tangier	cloudy	26
Barcelona	thund	22	Cape Town	shower	15	Edinburgh	drzzl	17	Jersey	fair	17	Munich	rain	18	Tel Aviv	sun	35
									Karachi	fair	37	Nairobi	fair	27	Tokyo	cloudy	24
									Kuwait	sun	43	Naples	fair	27	Toronto	fair	27
									L. Angeles	cloudy	20	Nassau	thund	32	Vancouver	cloudy	19
									Las Palmas	fair	25	New York	fair	27	Venice	rain	23
									Lima	cloudy	21	Nice	sun	23	Vienna	shower	21
									Lisbon	fair	25	Nicosia	fair	35	Warsaw	shower	22
									London	cloudy	20	Oslo	cloudy	20	Washington	sun	27
									Lux.bourg	drzzl	16	Paris	cloudy	22	Wellington	fair	10
									Lyon	fair	22	Perth	fair	19	Winnipeg	fair	35
									Madeira	shower	22	Prague	fair	20	Zurich	shower	18

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Norgeskreditt bid battle intensifies

The battle for control of Norgeskreditt, the Norwegian financial services group, intensified as two competing banks increased their bids for the company. Page 18

Dollar holds back Ahold
The dollar's decline limited the rise in net profit at Ahold, the Netherlands-based food retailer, to 8.4 per cent in the first quarter. Page 18

Euro Disney cautious on theme park
Euro Disney, the troubled leisure group, is waiting to see whether the summer season will bring an increase in attendance at the Disneyland Paris theme park after its recent announcement of a fall in interim losses. Page 18

Pharmaceuticals on the move
Until the 1990s, drugs companies were, on the whole, content to provide drugs, which account for about 20 per cent of costs. This decade has seen pressure from governments and insurance companies keen to control health costs. The pharmaceuticals industry has responded by moving into the other 80 per cent of the market. Page 19

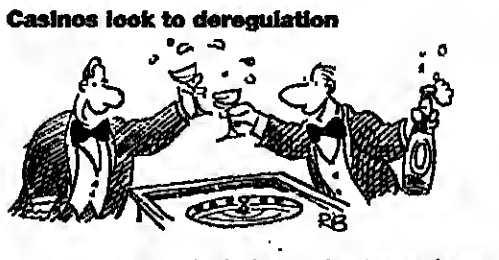
Microsoft plans games venture
Microsoft, the world's leading personal computer software developer, is planning a joint venture to develop and market computer games with Softbank, Japan's largest software distributor. Page 20

Argentine car sector runs hot and cold
If a nation's car industry is the thermometer of its economic health, then Argentina appears to be chilled and flushed at the same time. As domestic sales have plummeted – by 38 per cent in the first five months – multinationals have pledged to invest $3bn in new plant over the next five years. Page 20

PowerGen expands in North Sea
PowerGen, the electricity generation company, has agreed to buy a package of North Sea gas assets from the UK energy business of Oryx, the debt-laden Dallas-based oil explorer, for $120m. Page 21

Shiva buys UK computer group
Spider Systems, the unquoted Scottish company that is a European leader in computer networking systems, has been acquired by Shiva Corporation of the US, in an all-share deal worth about $80m. Page 22

Casinos look to deregulation



Casino operators in the UK are betting on deregulatory moves which could expand business and profits. In a government consultation paper expected soon, casinos hope to be allowed to serve drinks after midnight, given they can stay open until 4 am, and to be given some leeway on advertising. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

NEW YORK ($)			
Rises			
Appld Materials	83½	+	2½
LSI Logic	73¾	+	2⅝
Lam Research	65¼	+	2
Texas Insts	127⅞	+	4½
Falls			
Georgia Pacific	79¼	–	1⅜
Stone Cont	18	–	1
LONDON (Pence)			
Rises			
Huntleigh Tech	688	+	45
Kwik Save	653	+	25
Tinsley Robor	83	+	10
Falls			
Airtours	418	–	20
CML Micro	139	–	14
RCO	225	–	50
TORONTO (C$)			
Rises			
Euro-Nevada	38	+	1⅛
Franco-Nevada	72	+	1
Magna A	55½	+	1¼
Scott Paper	17⅝	+	1
Trimark Fin	56½	+	1½
Falls			
Diamond Fields	65¼	–	1
PARIS (FFr)			
Rises			
Alcatel Alsthom	472.9	+	12.9
Bouygues	608	+	13

Chargeurs	985	+	25
Fonc Lyonnaise	670	+	29
Imetal	555	+	11
Falls			
Skis Rossignol	1205	–	28
TOKYO (Yen)			
Rises			
Daiwa Secs	943	+	33
Mitsubishi Estate	584	+	22
Mitsui Fudosan	945	+	11
Sakura Bank	925	+	20
Falls			
Nintendo	4800	–	200
Sega Ent	2940	–	140
HONG KONG (HK$)			
Falls			
China Light	40.5	–	1
HSBC	101	–	1.5
Hang Seng Bk	57.75	–	0.7
Hutchison	36.9	–	0.7
Sun Hung Kai	57.25	–	0.7
Swire Pac A	59	–	0.5
BANGKOK (Baht)			
Rises			
Amer Standard	404	+	14
Thai Rayon	214	+	12
Falls			
Mutual Fund	644	–	36
Phatra Ins	180	–	10
Sri Charoen	158	–	10
Thai President	222	–	10

Frankfurt closed. New York & Toronto prices at 12.30.

Plan to pool assets will strengthen the hand of Worms and help stave off takeovers

Suez, SGB may form joint group

Suez and its subsidiary, Société Générale de Belgique (SGB), said yesterday they were considering forming a joint company. The move could help the management of the French holding company stave off a takeover from some of its dissatisfied French shareholders.

Suez in Paris and SGB in Brussels said the aim was not to merge fully the two holding groups, but for them to keep their different national identities and legal status. They would pool their assets "under a single logo and management" to create a more coherent strategy.

Suez and the SGB subsidiary said the joint company plan had been under discussion for some months. They said it was not designed as an alternative to two other options on which the Suez board is deadlocked.

At Suez's annual meeting on Wednesday, shareholders backed the earlier idea of Suez linking up with Banque Nationale de Paris (BNP) and Union des Assurances de Paris (UAP) to form a large financial conglomerate. This effectively blocked the rival plan of Mr Gérard Worms, Suez chairman, to join up with Pinault Printemps Redoute (PPR), the French retailing group.

At the meeting, Mr Jacques Friedmann, president of UAP, criticised Mr Worms's management. Mr Friedmann, backed by the heads of the Elf Aquitaine oil group and the Saint Gobain glass and industrial group, forced through a restriction on Mr Worms's power to issue shares for use in any equity exchange with a company such as Pinault. These three companies and BNP, their ally, hold 22 per cent of Suez's capital and nearly 30 per cent of its votes – enough to block resolutions at any meeting not attended by all shareholders.

However, Mr Worms has a numerical majority among board members. Asked by a shareholder why he did not resign, he said he did not intend doing so while he still had the board behind him. The largest shareholders do not have the numbers on the board to enforce their will on Mr Worms and his supporters, but they have the share power to prevent the Suez management putting any of its schemes into practice.

If the plan for a Suez-SGB joint company came to pass, it would strengthen Mr Worms's hand. Viscount Etienne Davignon, SGB president, and Mr Gérard Mestrallet, chief executive, are among Mr Worms's supporters on the Suez board. One idea is that Mr Mestrallet manage the joint company.

Suez and SGB likened their plan for a joint company to the structure of ABB, the Swiss-Swedish engineering group, or to Fortis, an insurance joint venture between AG of Belgium, controlled by Mr Maurice Lippens who is the second largest shareholder in SGB behind Suez, and Amev of the Netherlands.

In the Suez-SGB venture, it is not clear whether the balance would reflect the fact that Suez holds 62 per cent of SGB while the latter has only 1.5 per cent of Suez, or whether Suez's control of SGB would be severed to give the Belgian company a more equal status. According to the Nouvel Observateur magazine which yesterday broke the news of the Franco-Belgian discussions, Suez might distribute its stake in SGB among its shareholders or sell it on the market.

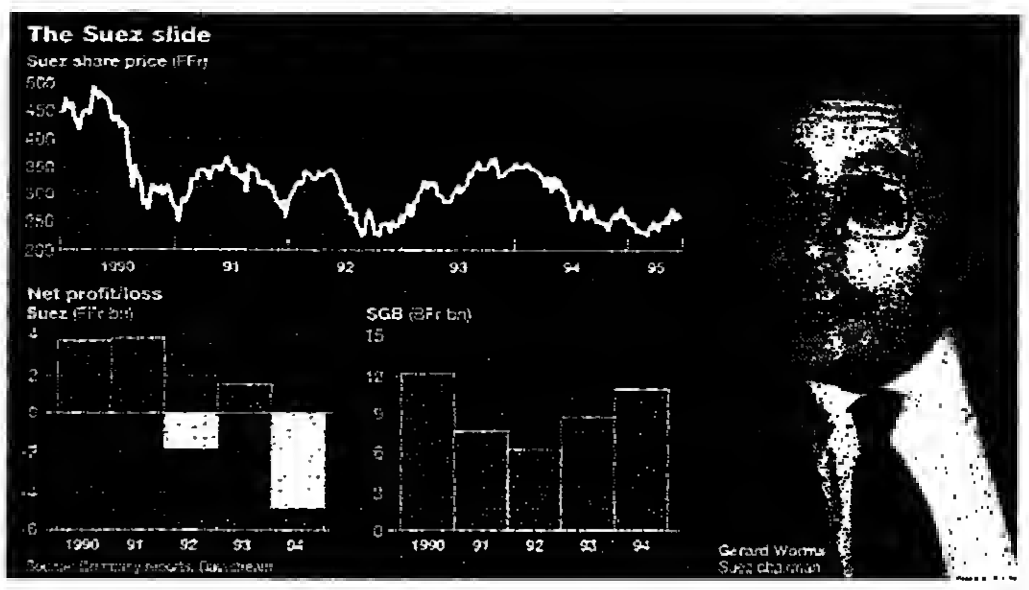
A more independent status for SGB would be welcomed in Belgium, where the holding company, dating back to 1822 or eight years before the creation of the country, is a national symbol. The 1988 takeover battle for SGB saw Suez outbid Mr Carlo De Benedetti, the Italian magnate, and stirred some xenophobic resentment in Belgium. The irony of the French parent company effectively calling on the Belgian subsidiary to rescue it would be savoured in Belgium.

SGB said the possible joint company would remove the criticism that the present Suez-SGB structure was "a cascade of holdings", giving rise to a big discount on their shares. The current market capitalisation of Suez is about FFr40bn ($8.2bn) while SGB is the equivalent of FFr22bn.

SGB said the plan would create "a more visible and transparent structure".

On Wednesday, Mr Worms claimed that after spending the past four years cleaning up the balance sheets of Suez and its SGB subsidiary, the prospects this year were much better for most parts of the Suez group, except its Indosuez banking subsidiary.

David Buchan and Andrew Jack



Pechiney may sell US glass unit to Saint Gobain

By David Buchan in Paris

Saint Gobain, the French glass and industrial group, may buy Pechiney's glass container business in the US, said Mr Jean-Pierre Rodier, Pechiney's president.

He told a shareholders' meeting of Pechiney International, the publicly-quoted packaging subsidiary of the state-controlled Pechiney group, that Saint Gobain was one of several companies looking at buying the US glass container business which made sales of FFr3.6bn ($700m) last year. He said he would refrain from further comment "until the deal is done".

To prepare Pechiney for privatisation, Mr Rodier planned assets sales of around FFr9bn by the end of 1996 to reduce debt and return to the core aluminium and packaging business.

In addition to the possible glass sale to Saint Gobain, Pechiney International has just agreed to sell its US metal food container business to Silgan of the US, and has put its Howmet turbine motor business up for sale. However, Pechiney International is keeping its beverage can business in the US where it is the market leader.

The company reported a FFr4.5bn loss last year mainly because of large writedowns of previous acquisitions.

Turnover rose 2 per cent last year to FFr35bn, but the value of Pechiney International's sales in the first quarter of this year was pushed down 2 per cent by the weak dollar.

Mr Rodier addressed shareholder anxiety about poor share performance by saying that his priority was to reduce Pechiney International's "very heavy indebtedness, which could endanger the company if it persists". Pechiney International has debts of FFr13.9bn and own funds of FFr9.2bn. The programme of asset sales is designed to reverse this.

The previous head of Pechiney, Mr Jean Gandois, who now heads the French employers federation, sought diversification believing that the company's main activity of making aluminium was too risky and too cyclical.

Mr Rodier is reversing this strategy by keeping only the most profitable parts of packaging, and refocusing on the aluminium business. This paid off in the first quarter when aluminium sales rose 35 per cent.

Israel fears damage to telecom offering

By Mark Dennis and Julian Ozanne in Jerusalem

Cable and Wireless, the UK telecommunications group, has raised its stake in Bezeq, Israel's state-owned telecommunications company, from 7 to 10 per cent in an attempt to become a strategic partner.

The move is viewed with concern in the Israeli Treasury and by Merrill Lynch and Morgan Stanley, the investment banks leading the global offering of 25 per cent of Bezeq's shares, which believe C&W's buying threatens the privatisation process.

Government officials and bankers say C&W's share purchases could damage the global offering, due in August, and is a backdoor effort by the company to force itself on Bezeq as the strategic partner.

They say the C&W stake makes a competitive tender for a strategic partner impossible. "They have successfully pre-empted the process in spite of the stated policy of the government," a banker said.

"They have made sure that there will be no level playing field for the strategic stakeholder and the process will not necessarily result in the highest price or the most suitable partner."

But it remains clear C&W has been operating with co-operation from Bezeq and some sections of the Israeli government.

C&W said it had raised its stake from 7.01 per cent, which it brought for £63m in April, to 10.02 per cent. It said it wanted to use the Bezeq stake as a foothold towards expansion in the region. "We will continue to build our contacts in Israel. We are looking for strategic partnership as a minority shareholder." C&W has an estimated investment in the company of between $140m-$150m.

C&W's purchases have pushed Bezeq's share price up 66.6 per cent from Shk4.85 before the April buy-in to yesterday's close of Shk8.08. Some 25 per cent of Bezeq shares are traded on the Tel Aviv Stock Exchange.

Treasury officials said the UK group's move will send negative signals to top-ranking telecommunications companies such as AT&T, British Telecom and Deutsche Telecomm who might have been interested in bidding for the strategic partnership which will follow the global offering. They fear C&W could dump its stake, damaging the share price. According to a Treasury official, the government is considering legislation to block future backdoor attempts at strategic partnerships with other Israeli public companies scheduled to make local or global offerings. "This is in reaction to the Cable and Wireless buy-in," he said.

Takeover talk lifts UK broker

By Patrick Harverson in London

Smith New Court shares advance despite sharp decline in earnings

Shares in Smith New Court, the equities marketmaker and broker, rose 21p to 438p yesterday despite a sharp fall in the firm's annual profits.

The shares were driven by the news that Kleinwort Benson, the merchant bank, had received a takeover offer from Dresdner Bank of Germany. If the offer is accepted, Kleinwort will be the third prominent UK institution, after Barings and S.G. Warburg, to lose its independence this year, and industry observers believe Smith could be the next to be bought by a big European bank.

"I think there is certainly a chance of a takeover in the next few years," said one analyst. He warned it was difficult to make comparisons between Smith and merchant banks such as Warburg, Barings and Kleinwort. "It's a very different business. It's a more focused, distribution-type business, whereas continental banks are more interested in the corporate advisory and fund management areas."

Mr Michael Marks, Smith's chairman, said the firm was not in talks with anyone, but remarked Smith's senior executives would be "burying our heads in the sand" if they did not recognise that consolidation of the global investment banking and securities industry was gathering pace.

Smith was the latest UK firm to announce a large drop in annual profits. Mr Marks blamed the fall in pre-tax profits from £95.2m to £31.2m ($48.96m) for the year to April 28 on low trading volumes and volatile stock markets. He said market conditions were particularly hostile in the second half, although he claimed the firm made a profit on all of its product lines except one – Japanese equities.

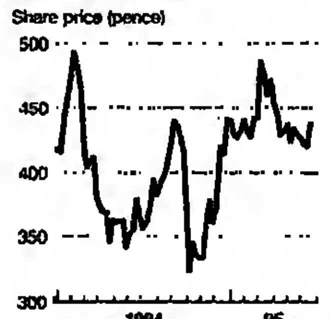
Smith does not provide a breakdown of its earnings, but it revealed that the proportion of income taken up by fees and commissions rose from 52 per cent to 59 per cent, with the remainder derived from market-making activities. There was also a small rise to 58 per cent in the share of income from non-UK business.

Return on capital was 13.6 per cent, and earnings per share were 22.2p, against 70.2p. A final dividend of 9p was recommended, taking the total to 11p (10p).

Mr Derek Keys, the former South African finance minister, has been appointed a non-executive director. His appointment comes a few days before Smith reinforces its ties to South Africa by signing an agreement to buy a majority share in Davis Borkum Hare, the Johannesburg broker.

Smith New Court

Share price (pence)



Source: FT Graphite

Merrill Lynch to direct Telefónica global offering

By Tom Burns in Madrid

Merrill Lynch, the US investment bank, has won the mandate to co-ordinate an offering of government shares in Telefónica, the Spanish telecommunications operator, that is expected to raise about $1.5bn. The bank took the lead global issuer role in this month's $936m partial privatisation of Portugal's telecoms monopoly.

Merrill Lynch is active on Spain's capital markets but its appointment to direct the Telefónica issue marks its first involvement as leader of a global offering by a domestic company. Global co-ordinator roles in Spain have been conducted by Goldman Sachs and Morgan Stanley, rival US institutions.

Merrill Lynch strengthened its corporate finance team in Madrid last year when it hired Mr Claudio Aguirre from Goldman Sachs, to be its local chief executive.

Banco Bilbao Vizcaya, Argentaria, the government-controlled banking group, and La Caixa, the Barcelona-based savings bank will join Merrill Lynch as co-global co-ordinators. The three banks are core shareholders of Telefónica and own 8.5 per cent of its shares between them.

The Patrimonio del Estado, the government portfolio company which is reducing its Telefónica stake, is understood to believe that the decision to award Merrill Lynch tha issuer role reflects concern about potential conflicts of interests among investment banks operating in telecom privatisations.

They said the "beauty contest" to become Telefónica's global co-ordinator had been coloured by the clash in timing between the Spanish company's offering and one by KPN, the Dutch government's operator, which is also scheduled for after the summer.

Goldman Sachs, which in 1987 took Telefónica to the New York Stock Exchange and which has acted as global co-ordinator for disposals by Endesa, the government's power generator, and by Repsol, the state's oil and gas group, was deemed to have had a conflict of interest because it was last week appointed adviser to KPN.

Morgan Stanley, which was global co-ordinator in the partial privatisation of Argentaria two years ago, was also barred from a role in the Telefónica issue because it will be the lead manager in the US tranche of the KPN offering.

Merrill Lynch will be global co-ordinator for the issues of Israeli operator Bezeq and of Indonesia's PT Telekom which are due in the last quarter of this year. However, these disposals are not viewed as conflicting with the Telefónica sale because of their position outside Europe.

In the Telefónica offering, the Spanish government is reducing its stake from 32 per cent to 12 per cent. The KPN offering involves the sale of 30 per cent of the Dutch government's stock and is expected to raise $4bn.

The timing of these offerings is important; both have indicated they will tap the markets in September or October but it is uncertain which of the two operators will have the first call on investors.

Telefónica and KPN are fellow partners in Unisource, the consortium which groups the Swedish and Swiss telecom companies.

Norgeskreditt bidding war hots up

By Karen Fossli in Oslo

The battle for control of Norgeskreditt Holding, the Norwegian financial services group, intensified yesterday when two competing banks increased their bids for the company.

On Wednesday, Sparebanken Nor submitted a bid of NKr220 per preference share, which was NKr20 higher than the offer submitted by Christiania Bank on Monday.

Sparebanken Nor's move forced Christiania yesterday to raise its offer to NKr225 per preference share. Its new bid was quickly matched by Sparebanken Nor.

The terms and conditions of Sparebanken Nor's new bid were unchanged. Christiania, however, said that Viking Supply Ships, Norgeskreditt's second-largest shareholder, was committed to selling the bank its 8.91 per cent preference shareholding. This, it said, "implies that the bank already controls 11.45 per cent of Norgeskreditt Holding".

The main attraction for the banks is Norgeskreditt's estimated NKr20bn ($3.2bn) first priority, low-risk, long-term mortgage loan portfolio to corporate institutions in the greater Oslo region. Norgeskreditt has estimated combined assets of more than NKr30bn.

If Christiania wins, the bank's market share in the corporate mortgage lending sector would rise to 38 per cent from the 9 per cent held by Vestenfjelske Bykreditt, its Bergen-based subsidiary.

The prize would make Christiania a market leader in this sector.

Mr Ludvik Sandnes, Christiania's chief financial officer, said the bank's fresh bid still made the acquisition good business.

For Sparebanken Nor, the acquisition of Norgeskreditt would double the savings bank's corporate mortgage lending portfolio to more than NKr40bn in the region.

Mr Karl-Olav Hovden, group director at Sparebanken Nor, said the savings bank was also interested in the expertise of Norgeskreditt's management. "This management proved itself during Norway's bank crisis," he said.

During Norway's five-year bank crisis, Norgeskreditt was one of a few domestic finance institutions which did not suffer heavy losses and thus was not forced to call on the government for funds to save it from collapse.

The two banks' moves on Norgeskreditt yesterday sent the Oslo bourse All-Share index soaring to an all-time high of 688.9 points in turnover of NKr1.1bn. Norgeskreditt's shares advanced NKr6 to NKr227, Christiania's rose NKr0.50 to NKr12.60 while Sparebanken Nor's primary capital certificates, a hybrid share instrument, slipped NKr1 to NKr146.

Low dollar holds Ahold back in first term

By Ronald van de Krol in Amsterdam

The dollar's decline limited the rise in net profit at Ahold, the big Netherlands-based food retailer, to 8.4 per cent in the first quarter of 1995.

Net profit rose to Fl 119.6m ($76.49m) from Fl 110.3m, on sales down slightly at Fl 8.5bn from Fl 8.6bn.

The company, which owns five supermarket chains in the eastern US, said profit would have increased by 15.7 per cent if it had not been for the sharp drop in the dollar, which was worth an average Fl 1.64 in early 1995, compared with Fl 1.93 in early 1994.

If turnover were adjusted for the translation effect of the lower dollar, group sales would have risen by 7.9 per cent, Ahold added.

The company's five US chains generate about half of group turnover.

In the Netherlands, where Ahold's Albert Heijn supermarket chain is the market leader, operating results rose by 10 per cent to Fl 119.7m.

US operating results showed an improvement of 11.7 per cent at $56.4m, while operating profit in Europe outside the Netherlands increased by 32.1 per cent to Fl 21.4m.

Ahold is active in Portugal, where operating results showed further gains, and in the Czech Republic, where the company stood roughly at break-even point after registering losses in the same period of 1994.

The group also recently announced an acquisition in Poland in partnership with Allkauf of Germany.

Of Ahold's five US chains, four posted higher operating results. The fifth, Tops, based in upstate New York, has been hampered partly by the weakness of the Canadian dollar against the US currency, which has led some consumers to do their food shopping north of the border.

Euro Disney cautious on prospects for full year

By Alice Rawsthorn in London

Euro Disney, the troubled leisure group, is waiting anxiously to see whether the summer season will herald an increase in attendance at the Disneyland Paris theme park after its recent announcement of a fall in interim losses.

Mr Philippe Bourguignon, chairman, has warned shareholders that he remained "very cautious" about prospects for the full financial year following April's news that it had cut losses for the six months to March 31 to FFr241m ($49.15m) from FFr1.06bn in the same period of the preceding year.

The steep decline in the losses at Euro Disney, which has suffered a series of financial setbacks since the opening of its theme park in 1992, was partly due to increases in attendance and hotel occupancy at Disneyland Paris.

However, the main factor was a sharp reduction in financial costs, such as lease rental expenses, negotiated last spring as part of Euro Disney's financial rescue package. There was also a reduction in management and royalty fees to Walt Disney, its US parent.

Mr Bourguignon stressed in his interim report to shareholders that it was "too soon" to predict the likely outcome for the full financial year as there was "still insufficient clarity about the summer months".

He noted that Euro Disney had become more efficient at managing the theme park during the slack winter season. But he said the company had not detected "the effects of a real upturn in consumption".

Analysts expect the company to break even this year. Ms Rebecca Winnington-Ingram, European leisure analyst at Morgan Stanley in London, forecast modest profits of FFr47m for the year to September 30 with similar profits of FFr51m for next year.

However, Disneyland Paris faces stiff competition from new theme parks in Germany and Spain. Euro Disney has responded by launching a new FFr600m Space Mountain ride.

Metsä-Serla targets Kyro forestry arm

By Christopher Brown-Humes in Stockholm

Metsä-Serla, the Finnish pulp and paper group, yesterday launched an agreed bid worth FM800m ($186.89m) for the forestry businesses of Kyro, a Finnish board producer.

It also predicted that full-year profits would be at least double last year's FM786m after unveiling four-month figures that were well ahead of market forecasts.

The addition of Kyro's paperboard businesses would lift Metsä-Serla's white board production capacity to 520,000 tonnes a year and make it Europe's third-largest producer of boxboard, wallpaper baseboard and graphic boards.

Kyro has a capacity of 210,000 tonnes a year and last year achieved operating profits of FM68m on turnover of FM723m. The deal will be partly funded by shares.

It is a further expansion by Metsä-Serla and continues the restructuring of the Finnish forestry sector after the merger of Enso-Gutzeit and Veitsiluoto announced last month.

Metsä-Serla is already increasing its pulp and coated fine paper production as part of a FM3.6bn investment programme, and in March it moved to take a controlling stake in its Metsä-Botnia pulp associate. The company is itself viewed as a potential bid target as the smallest of Finland's four big forestry groups.

Metsä-Serla's four-month profit after financial items surged to FM607m from FM135m as strong demand, rising prices and exchange rate gains more than offset the impact of the stronger markka on turnover.

Operating profits rose to FM586m from FM208m as turnover climbed to FM4bn from FM2.9bn. The sale of the group's sawmill businesses helped produce extraordinary income of FM230m, lifting pre-tax income to FM826m from FM128m.

"Demand for all products has continued to rise, and all manufacturing capacity has been in use. The growth in demand for magazine papers has been particularly strong," the company said.

It said demand for coated magazine paper was up 25 per cent from a year ago, and added that further price rises for the grade were expected in the second half. It predicted full-year turnover of "well over" FM13bn, after last year's FM9.5bn. The shares eased FM2 to FM176.

Sandoz sets Clariant float price

By Daniel Green in London

Sandoz, the Swiss pharmaceuticals company, yesterday set the share price for its speciality arm, Clariant, which it is floating on the Zurich bourse.

The price range, of SFr360 to SFr410, would give Clariant a market capitalisation of about SFr1.5bn ($1.3bn).

Gross proceeds before commissions and expenses should be between SFr2.12bn and SFr2.39bn. Clariant will be floated with SFr750m of debt.

Sandoz said it would today start bookbuilding, a process which identifies institutional investors prepared to buy the shares within the price range.

A definite offer price will be announced on June 26. During the following two days there will be a Swiss public offer.

Sandoz announced in March that it would demerge its industrial chemicals division to concentrate on its core drugs and nutrition businesses. Clariant makes dyes and chemicals for textiles, leather and paper, as well as pigments and additives and the so-called masterbatches for colouring plastics and synthetic fibres.

Operating profits last year were SFr214m on sales of SFr2.33bn. Mr Rolf Schweitzer, chief executive of Sandoz, will be Clariant's chairman, and Mr Martin Syz, current head of the chemicals division, will be chief executive.

Sandoz wants Clariant shares to be quoted in Zurich and traded on the London Stock Exchange's SEAQ International system.

In an effort to make the shares acceptable to international investors, there will be no voting or ownership restrictions. Sandoz registered shares fell SFr2 to SFr763 yesterday while the bearer shares rose SFr3 to SFr772.

A free distribution of Clariant shares to Sandoz shareholders was ruled out as it would have left recipients subject to a 35 per cent Swiss withholding tax on their value.

Suchard defends its actions at Figaro

By Vincent Boland in Bratislava

Kraft Jacobs Suchard, the Swiss foods group, yesterday launched a strong defence of its actions at Figaro, the Slovak chocolate maker in which it has a two thirds stake. This was ahead of a showdown today with minority shareholders who have accused it of abusing their rights.

Minority shareholders in Figaro, led by Prague Capital Partners, a Czech investment firm, and Wyser-Pratte & Co, a US fund manager, have called an extraordinary general meeting for today to demand explanations from Suchard about a collapse in profits at Figaro in 1993 and a subsequent sharp fall in its share price.

Suchard, a subsidiary of Philip Morris, the US tobacco and foods group, said it intended to defend itself "vigorously" and rejected charges that it channelled sales of Figaro products through its own subsidiaries, depressing profits at the Slovak company.

But Mr Bernhard Huber, area director for central Europe of Kraft Jacobs Suchard, admitted that some of the complaints made by minority shareholders were valid. "We do owe them answers to a certain degree," he acknowledged.

Suchard paid $20.3m for 66.7 per cent of Figaro in September 1992. Following a capital increase during 1993 Figaro published a prospectus in which its projected profits for the year were stated at SKr130m ($17.96m). When it subsequently reported full-year results, profits had shrunk to SKr30m.

Figaro's share price has tumbled 80 per cent in the past 12 months from its high in early 1994. Mr Huber insisted the share price movements were unrelated to Figaro's profit performance and that the fall was in line with a general trend in Slovak share prices.

The dissident shareholders, who control almost 12 per cent of Figaro, say the profits were depressed by selling Figaro products abroad through other Suchard subsidiaries, preventing Figaro from enjoying higher margins.

Mr Huber said the profits collapse was caused by "service charges" incurred by Figaro on the split of the Czechoslovak federation at the beginning of 1993. He insisted the charges, which were not disclosed in the prospectus, were "in compliance with all regulations" under Slovakia's commercial code.

Czech oil refineries deal near

Czech government negotiators and a consortium of large western oil companies have agreed a draft proposal which would transfer a 49 per cent stake in the country's two big oil refineries to the western group, Reuter reports from Prague.

Executives at International Oil Companies consortium and the full Czech cabinet must now give final approval. The Czech government is expected to consider the plan next week.

The original purchase price offered by the consortium last year was $180m.

Last year the government awarded the consortium exclusive rights to negotiate for a 49 per cent stake in Unipetrol, a new holding company for the Kaucuk and Chemopetrol refineries.

The Czech industry and trade ministry said the assets price was "a little bit" higher than the original offer but did not elaborate on the agreed terms.

The IOC comprises Agip of Italy, Royal Dutch/Shell, Total of France, and US-based Conoco.

The Czech government had said that if a framework agreement had not been reached by June 30, then the IOC would lose its exclusive right to negotiate for the stake.

In its first bid last year, which was rejected by the government, the IOC had also pledged to invest $520m to modernise the refineries.

The full cabinet at the time voted to take a "Czech only" way to finance modernisation of the ageing facilities, but changed tack last autumn and reopened talks with the IOC.

NEWS DIGEST

Ras and Generali take 10.2% stake in Pirelli & C

Ras and Generali, two of Italy's biggest insurance companies, have bought shares in Pirelli & C, the investment company which indirectly controls the quoted manufacturer of tyres and cables, writes Andrew Hill in Milan.

The two companies bought most of the 10.2 per cent stake in Pirelli & C which belongs to CIM and SMI, the Italian metals groups controlled by the Orlando family, for L42bn ($25.6m).

The operation keeps the shares within the tight-knit group of Italian financial and industrial companies known as the "salotto buono" (literally, good drawing room), which are the traditional allies of Mediobanca, the Milan merchant bank.

GIM and SMI, which are raising money to reduce accumulated debt of L1,532bn, said they had sold 11.6m shares to Generali and 2.82m to Ras. The Orlando groups' stake in Pirelli & C will fall to about 2 per cent after a capital-raising exercise by the investment company.

Ras said that it would join the shareholder syndicate which controls Pirelli & C. The Ras stake will be 3 per cent after the capital increase.

Kvaerner and Du Pont in development deal

Kvaerner, the Norwegian shipbuilding, engineering and oil and gas technology group, and Du Pont of the US, have announced plans to collaborate on the development of composite materials for the shipbuilding and offshore oil and gas industry, writes Karen Fossli in Oslo.

Kvaerner ranks as one of Europe's major maritime technology specialists while Du Pont, one of the world's largest industrial groups, is a leader in materials technology.

The two companies said the first result of the deal was likely to be the development from composite materials of protective structures for subsea oil and gas production systems at Kvaerner's yard in Mandal, Norway.

Other projects expected to get quickly under way include other products for the oil and gas industry such as carbon tethers which form part of the anchoring systems for floating production systems.

Sita launches virtual private telecoms service

Competition for the international telecommunications business of multinational organisations continues to intensify, writes Alan Cane in London. Sita, the group which provides telecoms services for the world's airlines together with a number of commercial customers has announced a virtual private network (VPN) service.

The Sita initiative, Global Voice Service, will be competition for Concert, owned by British Telecommunications and MCI of the US, and AT&T's WorldPartners.

VPNs provide advanced communications features usually only available over expensive leased line networks at the cost of using the public switched network. They are made possible by intelligent switches which offer private numbering plans, calling line identity, call screening and barring, and authorisation codes among other features.

Coca-Cola Amatil sees halftime profits rise

Coca-Cola Amatil, the Australian-based beverage company, said yesterday that it expected to see increased profits at both the trading and after-tax levels in the six months to end-June, because of "volume growth, operational efficiencies, price increases and package mix changes", writes Nikki Tait. In the same period a year ago, net profit after tax was A$40.1m (US$28.9m).

The profits forecast was contained in CCA's prospectus for its A$670m rights issue, lodged with the Australian Securities Commission yesterday. This also confirmed that Coca-Cola, the Atlanta-based soft drinks group, would cut its stake in CCA to a maximum of 43 per cent by only taking up 35 per cent of the shares to which it is entitled. At the last year-end, it held about 50 per cent.

The balance of Coca-Cola's rights issue shares is to be sold to domestic and international institutions.

Australian wholesaler makes cross-state bid

Coles Myer, Australia's largest retailer, yesterday declined to comment on a surprise bid by QIW, the Queensland-based wholesaler and retailer, for Composite Buyers in Victoria, writes Nikki Tait. Coles holds 19.9 per cent of Composite. QIW is offering five of its own shares for every six Composite held, valuing the target company at about A$70m (US$50.1m).

QIW said that the merger would "create a powerful independent force in food distribution throughout Australia's eastern states. It noted that QIW was the largest food distributor in Queensland and Composite the biggest in Victoria.

The bid comes only two weeks after the Trade Practices Commission ruled that Davids Holdings, another wholesale distribution company, could merge with Composite. However, Davids has said it will not bid for Composite until the expiry of the commission's appeal period.

Meanwhile, Perth-based Resources & Industry, although capitalised at only A$18m, has also announced plans to bid for Composite.

AA drops London flight

American Airlines is stopping its service between London's Gatwick airport and Nashville after running up substantial losses on the route since May last year, writes Michael Skapinker. The last flight will be in October.

Drug companies market wholesale health

Integration of pharmaceuticals with hospital and doctor services should have wide appeal, says **Daniel Green**

This week's alliance between Novo Nordisk of Denmark and Johnson and Johnson of the US is the latest is a series of moves by pharmaceuticals companies designed to open new markets in the healthcare industry.

Until the 1990s, drugs companies were, on the whole, content to provide drugs. This decade has seen pressure from governments and insurance companies keen to control health costs.

Drugs bills have been a favourite target even though they account for less than 20 per cent of the world's $2,000bn plus healthcare expenditure.

The pharmaceuticals industry has responded by moving into the other 80 per cent of the market. It has begun to try to integrate pharmaceuticals with hospital and doctor services.

What Novo and J&J will sell is a package of the former's insulin products along with blood sugar monitoring systems made by J&J's subsidiary, LifeScan.

Such "disease management" packages should appeal to doctors, hospital executives and health insurers in several ways.

They could help the co-ordination and continuity of patient care, improve cost incentives for early diagnosis and preventative measures, and make measurement of the quality of healthcare easier.

They can also play a direct role in cost control in combination with a system of paying for healthcare called "capitation". Under capitation, healthcare providers are paid not according to the number and kind of treatments performed but on a flat fee per head of population.

So disease management packages could help the setting of that fee by encapsulating all aspects of treating a disease and giving it a single price tag.

Diabetes is ideal for this kind of packaging. Patients are often young and remain otherwise healthy for many years. That means that the condition is clearly delineated in medical terms as well as by products for diagnosis and treatment.

Novo and J&J are among the last diabetes specialists to get together in this way. Rivals such as Bayer of Germany and Eli Lilly and Upjohn, both of the US, are already offering disease management packages.

Other diseases are now being targeted by the pharmaceuticals industry. Last December, Zeneca became the first drugs company to buy a chain of specialist cancer hospitals. Not only will it be able to increase sales of its cancer drugs through its Salick healthcare subsidiary in the US, but it will also offer a complete cancer treatment service.

Four large companies – Merck, Eli Lilly, Pfizer and SmithKline Beecham – have made a point of trying to establish detailed databases of drug prescribing patterns.

With such data, they should be able to improve the planning and efficiency of local healthcare services, offering, for example, packages tailored to different population profiles. Lilly has decided to merge its drugs distributor and another subsidiary called Intergrated Disease Management.

Mr Martyn Postle, of Kleinwort Benson's pharmaceuticals corporate finance teams, says that these companies may have an advantage over rivals which will find it hard to obtain comparable data.

"Those companies that acquired a distributor have an opportunity to realise the latent value of their information asset," he says.

Disease management has so far been largely confined to the US. The healthcare industry there is fragmented, independent chains of hospitals and doctors' practices vying for the attention of the big payers such as insurance companies. They can be approached separately by sales staff bearing radical ideas such as disease management.

Europe, where the government is usually the buyer, presents a different kind of challenge. But several US companies are already transferring the idea to European markets. Eli Lilly is jointly marketing its diabetes drug Humulin with blood sugar monitors made by Germany's Boehringer Mannheim.

The two companies "have joint arrangement deals or are working out deals in more than 50 countries around the world," says Lilly.

Lilly is one of the companies that has committed most to the strategy of disease management products. However, it is still sufficiently concerned that the idea might not take off to have welcomed the announcement of competition from Novo Nordisk and Johnson and Johnson.

Lilly says that the move will help make more people aware of diabetes and "further reinforces the idea that disease management is an issue".

The point, says the company, is that "some diseases are better managed when all the healthcare resources are packaged together". It appears to be an argument that corporate strategists in the pharmaceuticals industry are taking on board.

PACKAGING DISEASES

Company	Diseases(s)	Alliance partners
Bayer	Diabetes	Bayer Diagnostics (diagnostics; Schein (generics)
Caremark	Aids/HIV, asthma, cardiovascular, depression diabetes, hypertension	
Eli Lilly (Integrated Disease Management)	Diabetes, schizophrenia, depression, respiratory disease, ulcers	Boehringer Mannheim (diagnostics); Intergroup (MCO); Mylan (generics); Ranbaxy (generics) PSC (data)
	Diabetes	Boehringer Mannheim (diagnostics); + "an important customer"
Glaxo	Asthma	Reuters (data)
Merck	Ulcers, epilepsy, diabetes, depression, cardiovascular, asthma	Medco (data)
Novo Nordisk	Diabetes	LifeScan (diagnostics)
Pharmacia	Oncology	
Pfizer	Asthma, cardiovascular, depression	Value Health (data)
Schering-Plough	Asthma	SmithKline Beecham (products); Mid-Atlantic Medical (MCO); DPS (data)
SmithKline Beecham	Asthma	Schering-Plough (products); Mid-Atlantic Medical (MCO); DPS (data)
Upjohn	Diabetes	
Warner-Lambert	Cardiovascular, Alzheimer's, epilepsy	
Zeneca (Stuart Disease Management Services)	Cardiovascular	
	Oncology	Salick

Source: Kleinwort Benson, Scrip

David Jones board backs sale of retail operations

By Nikki Tait in Sydney

Directors of David Jones, the Australian diversified group, yesterday gave a final go-ahead for the sale of the company's retail operations, either by a stock market flotation or via a trade sale, although shareholder approval will also be required at a meeting which has been called for July 12.

A sale of the David Jones retail business – one of the two major department stores groups in Australia – has been mooted for many months, and a number of potential buyers, mainly from outside Australia, are said to have expressed interest.

An international roadshow, to test the depth of this interest, is expected to get under way in the next few weeks. This is likely to take in the UK, the US and some Asian centres, including Hong Kong and Singapore. However, both the company and its advisers have warned that the sale process will take some time to complete – regardless of the disposal process that is eventually chosen.

Directors said that the earliest it could be concluded would be late in 1995, and that it was possible that the process could continue into 1996.

The company has 32 stores around Australia, generally positioned at the upper end of the department store market.

The most recent results showed sales in the six months to the end of January of A$796.8m (US$574.9m), up 7.3 per cent over the same period a year earlier.

Net assets are put at about A$550m and the retail business is being sold on an "ungeared basis", according to advisers.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	System Price for Trading on 15.06.95: Pool purchase price £/MWh	Final Prices for Trading on 15.05.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.82	14.85	18.60
0100	12.84	10.00	10.00
0130	12.84	14.85	10.60
0200	12.84	14.85	16.60
0230	12.84	14.85	16.60
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Microsoft plans Japanese games joint venture

By Louise Kehoe in San Francisco

Microsoft, the world's leading personal computer software developer, is planning a joint venture to develop and market computer games with Softbank, Japan's largest software distributor.

The agreement, expected to be announced later this month, will create personal computer games for use with the "Windows 95" PC operating system, a new version of Microsoft Windows scheduled for launch in August.

Although there are hundreds of games available for use with the current version of Windows – which will also be compatible with Windows 95 – Microsoft is encouraging development of games that can take full advantage of the features of the new operating system.

The games will initially be aimed at the booming Japanese home computer market. They will compete with games designed to run on video game machines from Nintendo, Sega Enterprises and others.

Later, the joint venture is expected to market the computer games internationally.

Microsoft is itself one of the largest developers of software for use on home computers. It has focused primarily, however, on edocational and entertainment titles such as Encarta, a CD-Rom encyclopedia, rather than multimedia games. The joint venture would, therefore, represent an expansion of Microsoft's presence in the home computer software segment.

Softbank has long been the leading distrihutor of Microsoft products in Japan. The joint venture is the latest in a series of moves by the Japanese company to expand its international presence. Earlier this month it announced plans to acquire a stake in UCA&L, a US telemarketing company.

Softhank has also moved into the US computer trade show market with the $800m purchase this year of the exhibition division of the interface Group, which organises Comdex, the world's largest computer trade show.

Chrysler prospects queried by S&P

By Richard Waters in New York

The steady improvement in credit standing that had accompanied Chrysler's rebound from near-bankruptcy in the early 1990s ended yesterday as one of the two big US rating agencies raised questions about its prospects.

Standard & Poor's, while confirming the US motor manufacturer's A-minus senior debt rating, said it had switched the outlook on the rating to "negative" from "stable". Though not pointing to an immediate downgrading, the move indicates tbat the next rating action is likely to be a cut.

S&P's decision comes only five months after it raised Chrysler from BBB-plus, and only weeks after the company completed a refinancing of more than $8bn of outstanding debt. Chrysler emerged from the non-investment, or junk-bond, grade two years ago.

For a company such as Chrysler, with a financial services arm which is a big borrower on the capital markets, a single-A rating is an important attribute. By reducing the company's cost of funds, the rating enables it to compete with other lenders without eating into profit margins.

Chrysler said it was pleased that its rating had been reaffirmed, but disappointed about the negative outlook.

S&P, like Moody's, reaffirmed the company's existing rating after an announcement that Mr Kirk Kerkorian, the company's biggest shareholder, would no longer pursue a buy-out of the company.

Mr Scott Sprinzen, S&P's auto industry analyst, said the outlook had been switched to negative because of the fall in US auto sales this year. Chrysler's "disappointing financial performance this year raises concerns about [its] ability to sustain financial performance at a level consistent with current ratings", S&P said.

While noting the company's "remarkable progress in improving its competitive position since the late 1980s", the agency warned that "its relatively narrow geographic focus and product base likely will result in a high degree of earnings volatility".

Chrysler relies almost exclusively on North American sales and its product line is tilted heavily towards mini-vans and sport-utilities, where competition has been growing.

PriceCostco rises 11% in term despite sluggish sales

By Richard Tomkins in New York

PriceCostco, the US membership warehouse chain with outlets in North America and the UK, yesterday reported an 11 per cent increase in third-quarter profits, in spite of sluggish sales growth in its stores.

Net profits on continuing operations rose to $32.6m from $29.4m, largely hecause the company succeeded in improving profit margins by cutting costs and changing the product mix.

Revenues from warehouses open for more than year rose 1 per cent, while overall revenues, lifted by new store openings, rose 8 per cent to $3.82bn from $3.55bn.

PriceCostco ended its financial year to last August with 219 warehouses in the US and Canada and two in the UK.

It also had a 50 per cent interest in Price Cluh Mexico, operating eight warehouses in Mexico.

Since then, PriceCostco has opened 18 warehouses in the US and Canada, including four relocations; one warehouse in Glasgow, Scotland; and five warehouses in Mexico.

In addition, a Price Clnb operated by Shinsegae Department Stores under a licence agreement has opened in Seoul.

Dreams for IBM link with Apple, Motorola turn awry

By Lousie Kehoe

Some anniversaries are best forgotten. One that IBM will not be celebrating comes on July 3, marking four years since its decision to collaborate with Apple Computer and Motorola in the development of personal computer technology.

The "grand alliance" that was to have changed the face of the personal compnter industry has fallen short of the grandiose plans formnlated in 1991. IBM, in particular, appears to have gained little.

On Monday IBM, the world's biggest compnter company will finally unveil the first prodncts to stem from the joint development agreement – a range of personal computers based on the PowerPC microprocessor.

Bnt its "Power Personal" prodncts, long overdne, lack the software needed to compete with standard PCs. They will be introduced with software from arch rival Microsoft instead of ally Apple.

Talks with Apple that might have given IBM the rights to put Apple Macintosh software on its Power Personal prodncts came to naught.

A version of IBM's own PC operating system, OS/2 Warp, designed to run on the Power Personal computers, is not yet complete. Industry analysts predict that after repeated delays the software may finally be ready towards the end of this year.

When IBM, Apple and Motorola formed their partnership four years ago, the three companies planned to develop PowerPC microprocessor chips thet would ontperform anything that Intel could bring to market. IBM and Apple also formed joint ventures to develop multimedia prodncts and to create a "new genre of systems software".

While the PowerPC chips are faster than Intel's microprocessors, they failed to win broad support among PC manufacturers. Apple has rebuilt its Macintosh prodnct line based on PowerPC but is nonetheless struggling to maintain its share of the PC market.

Other aspects of the ambitious 1991 alliance have also failed to live up to expectations. Last week, Taligent, the IBM-Apple software development joint venture, released its first product.

However, instead of the cballenge to Microsoft Windows originally envisaged, Taligent has developed a set of tools for software developers aimed primarily at its three investors.

Similarly, the IBM-Apple multimedia joint venture, Kaleida Labs, has yet to fulfil its promise. Its charter to create multimedia technologies for use on all kinds of computers and consumer electronics systems has been scaled back.

In contrast to the excitement surrounding the formation of the IBM-Apple-Motorola alliance in 1991, last week an elahorate demonstration of Kaleida's latest technology and the introduction of Taligent's first prodnct went largely unnoticed.

Public attention was instead focused on IBM's latest attempt to boost its presence in the PC software market throngh the acquisition of Lotus Development.

Time will tell whether this may turn out to be a more memorable event.

Argentine auto engine runs hot and cold

Sales are down, but investment is up. **David Pilling** looks at South American trends

If the car industry is sometimes the thermometer of a nation's economic health, then Argentina appears to be chilled and flushed at the same time. Just as domestic sales have plummeted – by 38 per cent in the first five months – multinational companies have pledged to invest $3bn in new plant over the next five years.

But much of that investment could be placed in doubt following the decision hy Brazil this week to review its treatment of Argentine automotive imports. In an ambiguously-worded decree, Brazil set quotas on imports of cars without specifically excluding prodnction from the countries of Mercosur, a customs union that groups Brazil with Argentina, Paraguay and Uruguay.

Many carmakers that have pledged large investments in Argentina – such as General Motors, Ford and Fiat – have done so with the huge and newly-stabilised Brazilian market very much in mind. They had hoped to take advantage of Mercosur free-trade arrangements, expected to enable Argentine-produced cars freely to enter Brazil, where vehicle sales could soon surpass an annual 2m.

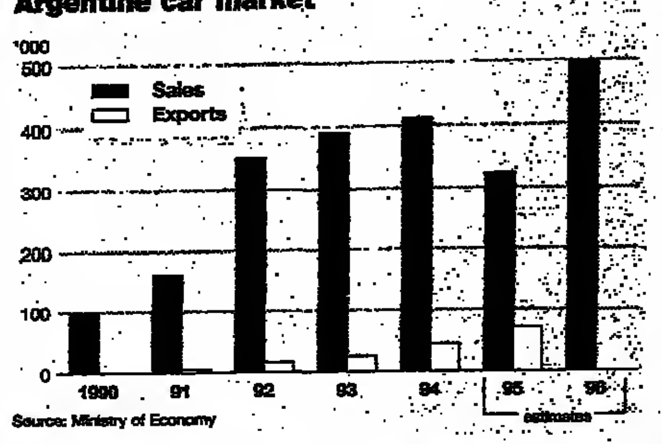
Such companies are bound to be uneasy at the possible ramifications of Brazilian quotas, in spite of assurances from some diplomats that Argentine imports will not be affected. Perhaps of even greater concern will be Brazil's intention to renegotiate the car regime hammered out with fellow Mercosur members last year, and originally expected to last until the year 2000.

"This could change the whole scenario," says Mr Jorge Mostany, president of Ford Argentina and vice-president of Adefa, the Argentine automakers' association. Brasilia's apparent desire to change the rules could be partly aimed at enticing investments away from Argentina and into Brazil, he says. "Investors saw Mercosur as a single market. But they might look at things differently now."

There is a lot at stake. Ford, for example, intends to invest $1hn in Argentina between now and 1999, spending $700m on developing Escort and Rover prodnction lines, and a further $300m on npgrading existing plant. Up until now, Ford has produced cars in both Argentina and Brazil in conjunction with Volkswagen as part of the Autolatina joint venture, hut recent years of rapid market expansion have persuaded both companies to go it alone.

General Motors, which last year ended a 16-year absence from Argentina with the inauguration of a $100m pick-np truck plant, is due to invest a further $1.1hn. Half will be spent on a new factory in Santa Fé province, which by 1997 should be rolling ont nearly 100,000 Chevrolet utility vehicles a year.

Fiat is to invest $600m in a Córdoba-based factory slated to produce 150,000 Fiat 128s a year, while Chrysler, Volkswagen, Toyota and Mercedes Benz plan smaller, but significant investments. Most of these companies are gambling that the Argentine market, which has slumped this year because of a post-Mexico credit squeeze, will pick up again in 1996. By this time they calculate Argentines should be buying at least 500,000 cars a year, five times the number being sold in 1990.



Source: Ministry of Economy

Many carmakers which abandoned Argentina in the previous two decades of economic and political turhulence, intend to give the country another shot. Argentina, which slayed hyperinflation in 1991, has more years of stability behind it than Brazil, which has had less than a year of relative price stability.

Bnt other advantages that Argentina may have had over Brazil as an investment location for carmakers could be eroded by Brasilia's apparent desire to renegotiate the rules. Potential investors in Argentina, for example, had probahly factored into to their location decision Argentina's lower tariffs on capital imports and the more protected nature of its domestic industry.

Possible rule changes also threaten the strategies of Argentina's local car industry, already changing its strategy in preparation for fiercer competition and greater export potential.

Ciadea, which produces Renanlt vehicles, plans to invest $500m in modernising production lines and in nearly doubling capacity to 200,000 units by the year 2000. The company, which will have raised the ratio of cars produced per worker from 5.9 in 1990 to 28 by next year, is pushing towards a "world-class" standard of 40.

Its focus, too, is regional. "We are not thinking in terms of Argentina any more, but of Mercosur," Mr Manuel Antelo, Ciadea chief executive, said before Brazil issued its decree. After Brazil's announcement, he said: "We had planned to export 40,000 more vehicles, which represents a month-and-a-half of production," although he remained "optimistic" that a solution would be found in talks due to be held from early next week in São Paulo, Brazil.

Sevel, controlled by the local Macri group, had also developed a Mercosur strategy following the decision by Fiat, whose models account for 73 per cent of Sevel's sales, to withdraw its licence from 1998. This month, Sevel negotiated a deal with Peugeot of France which will make the Argentine company the sole producer of Peugeot cars for the region.

Should Brazil toughen its stance, however, Peugeot's decision to concentrate production of its models in Argentina may also be reviewed.

Even in the short term, Sevel's plans to export 35,000 vehicles to Brazil in the second half could be affected. If Brazilian quotas are applied to Argentina, then Sevel's exports will be restricted to 10,000.

This year has already seen Argentine car plants standing idle for several weeks, as automakers have cut back production in line with frosty domestic sales figures. If differences with Brazil are not quickly solved, Argentine companies cannot rule out job losses. "You can't live with these ups and downs," said Mr Antelo. "It's a disaster."

Renovator lends the Midas touch

Cyprus Amax co-chairman Milt Ward speaks to **Kenneth Gooding**

Nothing encapsulates the driven nature of Mr Milt Ward's personality as clearly as when he says: "You must clew every day to make the company better and bigger."

It is only three years since he was recruited to rebuild, as co-chairman, Cyprus Minerals; two years since he surprised the rest of the mining and metals industry by merging it with Amax; and one year since he started Cyprus Amax on an international expansion with the acquisition of copper projects in Peru and Chile. Capital expenditure in the past three years reached US$1.3bn, while sales of non-core assets raised a similar sum. Cyprus Amax plans to spend another $1.7bn in the next three years. "We are remaking the company," he says.

In the past three years tbe top three managers in every one of the group's divisions have been replaced. "Not because the people who were there did not know what they were doing: hut we wanted to do things differently," Mr Ward insists.

Today Cyprus Amax is the second largest US copper producer after Phelps Dodge and the second largest coal producer after Hanson's Peabody subsidiary. It is also the world's higgest producer of molybdenum, used for toughening other metals, and of lithium, used by the glass, ceramics and metallurgical industries. Each of tha husinesses has reduced costs, improved productivity and increased production levels. This was partly achieved through redundancies after the merger: 2,000, or 17 per cent of the workforce, have gone, mostly administrative staff and middle managers, leaving 9,500 and saving $200m a year.

Even the most sceptical observers agree that Mr Ward seems to have made the Cyprus-Amax merger a success. He agrees. "The merger has gone just beautifully." But he has one important caveat.

He wants Cyprus Amax to be seen as a copper and gold company, "because that can be a very attractive business". He should know because he joined Cyprus from Freeport-McMoRan, a US mining group with gold in its portfolio and where he spent about 20 years, latterly as president. But so far attempts to improve the reputation of Amax Gold, a high-cost producer 45 per cent-owned by Cyprus Amax, have been unsuccessful. "That company was bleeding to death," Mr Ward recalls. "We halved the staff, have given it financial flexibility and are moving ahead with two new mines. But the stock price is flat."

Amax Gold prodnced 241,000 ounces of gold at a cash cost of $340 an ounce last year, but Mr Ward insists that in 1997 it will produce 635,000 ounces and costs at the present mines will be down to $221 an ounce. Cyprus has its own gold project in Russia and this might be sold to help Amax Gold on its way to an annual 1m ounces. At that stage, Ward hopes, a merger could be arranged.

However, all this is incidental to his main objective, which is to make Cyprus Amax one of the world's biggest, lowest-cost and most admired copper producers. Mr Ward suggests that global copper demand can be expected to grow by an annual average of more than 2 per cent for at least the next eight to 10 years, and this will require an extra 600m lbs of capacity every year.

Cyprus's aim is to increase its copper production from last year's 632m lbs, to 1bn lbs in 1998, while driving cash production costs down from 69 to 60 cents a lb (including credits for by-product molybdenum at $3 a lb).


Milt Ward: 'The merger has gone just beautifully'

The backbone of the company in the past was its copper mines in Arizona. But virtually all its trucks, shovels and milling equipment urgently needed replacing when Mr Ward arrived. This was a legacy from when Cyprus was spun off to shareholders hy the Amoco oil group in 1985. According to Mr Ward, "the previous management bought the assets cheaply and believed they could make a lot of money if they did not invest or spend heavily. They spent nothing on the mining fleet until something broke".

Mr Ward's amhitions for Cyprus were thwarted by a lack of cash. That was the point of the merger with Amax. Together, the two had coal operations that would provide steady earnings and cashflow and temper the volatility of the metals market. The merger in November 1993 resulted in Alumax, Amax's aluminium business, being spun off while Cyprus Amax kept Amax's coal and molyhdenum operations.

There was some criticism of Cyprus's move deeper into the coal business. "But we needed the cashflow from coal to grow the copper business and we got $250m of cashflow," Mr Ward points out. Without the coal cashflow Cyprus could not have contemplated the acquisitions outside the US: it paid $31m for the Cerro Verde copper mine and 15,000 acres of highly-prospective territory from the Peruvian government in March last year, and followed up by winning the keenly-fought auction for a 51 per cent stake in the El Abra copper ore body in Chile from the state-owned Codelco for $330m.

Some in the industry suggest Cyprus paid too much for El Abra, but Mr Ward says the bid was based on the assumption the deposit would contain two or three times the copper already discovered. There are now 2,000 people working on El Ahra, which some analysts suggest has the potential to match Chile's Chuquicamata and Escondida, the world's two biggest copper mines.

The merger with Amax perhaps stemmed from Amax's severe weakness after the collapse in aluminium prices, to tha lowest-ever level in real terms. However, copper prices remained relatively buoyant during the recession and have risen to very profitable levels in the past two years. Cyprus Amax will generate about $1bn of cashflow this year and Mr Ward expects cashflow to cover capital expenditure for the next three years.

Some $250m to $300m of 1995 cashflow will come from the coal operations, but Mr Ward makes it clear he sees the business as more than just a "cash cow". There are plans to expand it, too.

Ontario Hydro set to cut debt

By Robert Gibbens in Montreal

Ontario Hydro, one of Canada's two biggest electric power utilities and an important international borrower, will reduce its C$3bn (US$2.2bn) long-term debt by 11 per cent by the end of 1997. It is also preparing for continent-wide deregulation of electricity generation and distribution.

The utility, heavily restructured in 1992-93 because of the recession, expects profit to range between C$600m and C$800m a year in 1995-97, providing strong momentum for debt reduction.

In 1994, it posted net profit of C$587m on revenues of C$8.7bn, against a loss of C$3.6bn, including restructuring charges, on revenues of C$8.4bn in 1993.

Ontario Hydro said operating costs would be pared further, and its 20 per cent generating surplus was unlikely to be absorbed until well after 2000.

"A deregulated continental free market in electrical energy, down to the retail level, is a realistic prospect," the annual report said.

The new Conservative government of Ontario is committed to privatisation of some or all of Ontario Hydro's non-nuclear assets.

Correction

Sail

A report on the Salem steel plant of the Steel Authority of india Limited (Sail) in Tamil Nadu on May 31 contained a number of errors. The plant earned a net profit of Rs40m ($1.3m) in 1993-94. Sail's Durgapur plant in West Bengal is being modernised to achieve an annual outpnt of 1.8m tonnes of ingots and 1.5m tonnes of saleable steel.

COMPANY NEWS: UK

Scapa buys Coating Sciences for $43m

By Tim Burt

Scapa Group, the industrial materials manufacturer, yesterday moved to reduce its reliance on the paper industry by acquiring Coating Sciences, the US tapes company, for $43m.

The acquisition, its second in North America in eight weeks, is expected to push sales from Scapa's specialist materials businesses above those from the paper equipment division for the first time.

It is paying $34.2m cash for the Connecticut-based company, of which $4m has been deferred for at least three years, while assuming $9m of debts.

Mr David Dunn, chief executive, admitted the deal looked pricey given Coating Sciences' $5.1m net assets and profits of $2.1m last year.

He said, however, the strategic benefits and additional capacity flowing from the subsidiary's new plant would make it earnings enhancing in the first year.

"This will give us critical mass in North America and help balance the portfolio."

The acquisition, agreed after nine months of talks, is expected to increase net borrowings from £58.4m to £90m, for gearing of about 40 per cent.

It follows the purchase in April of Renfrew Tape, the Canadian tapes manufacturer, for C$17m.

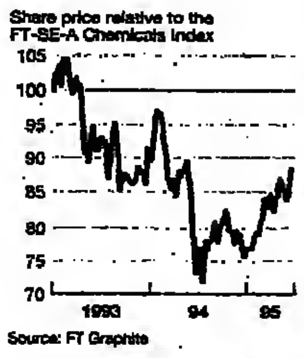
Scapa has been trying to expand its industrial division – which also makes filtration equipment and speciality materials – after four years of recession in the paper industry, its main customer base.

Although the recession has receded with increased paper prices, Scapa's profits last year were held back by aggressive competition among equipment suppliers. Pre-tax profits fell from £48.5m to £46.1m in the year to March 31 despite increased sales of £437.3m (£391.7m), including £4.1m from acquisitions.

Mr Dunn blamed the decline on a £5m exceptional charge, incurred to cut overcapacity, forced Scapa to closed a French factory and streamline operations in Mexico, South Africa and Canada.

Those costs and depressed prices contributed to reduced operating profits of £34.7m (£41.4m) in the paper division. Profits in the industrial materials division, by comparison, rose from £14.1m to £19m, including a nine month contribution from Barnier, the French speciality tapes business acquired 18 months ago.

Scapa



Source: FT Graphite

PowerGen buys Oryx' North Sea gas assets

By Motoko Rich

PowerGen, the electricity generation company, has agreed to buy a package of North Sea gas assets from the UK energy business of Oryx, the debt-laden Dallas-based oil explorer, for $120m.

The generation company has agreed to buy a 33.7 per cent working interest in the producing Audrey gas field in block 48/15a, a 10 per cent working interest in the partly developed Galleon gas field in the same block and an interest in the part of that block which contains the Ensign gas discovery. It has also committed to buying one third of Block 21/5a.

PowerGen said it would fund the purchase from its own financial resources.

The purchase is subject to the Department of Trade and Industry and partner pre-emption rights.

The acquisition will add an estimated 250bn cu ft of proven and likely gas reserves to PowerGen's existing gas portfolio.

Currently it holds 210bn cu ft in gas reserves. The company has a mixture of gas and oil interests in the Liverpool Bay, Ravenspurn North and Johnston fields, which were purchased from Monument and Lasmo last year. Its oil reserves total 15m barrels in Liverpool Bay.

Mr Alf Roberts, PowerGen executive director, commercial, said: "This acquisition is a further significant step in building an upstream gas business. It will provide both immediate operating profit contributions and the prospect of long-term, low cost gas to support our future business requirements."

Earlier this month Oryx sold a 15.5 per cent stake in the Alba oil field in the North Sea to Union Texas Petroleum for $27m. Oryx said its year-end debt target was $1.3bn. Its debt levels peaked at $3.2bn in 1990.

LEX COMMENT

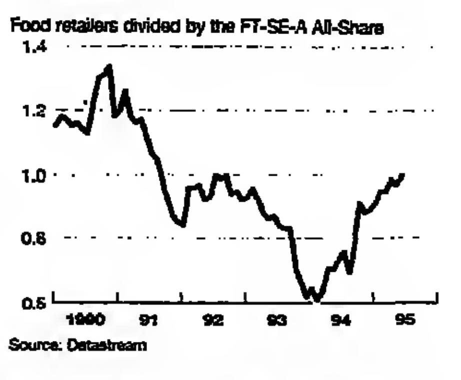
J. Sainsbury

Food retailers can breath a sigh of relief: the new advertising campaign from J. Sainsbury will not trigger a fresh price war. It will focus on service, not price, emphasising the group's determination to crack down on wonky trollies and carrier bags that do not open.

Although a substantial and well thought-out campaign, it is doubtful whether it will be enough to transform the group's somewhat lacklustre sales performance. Like for like sales growth at Sainsbury is running at 2 to 3 per cent, compared to 6 to 7 per cent at Tesco and 5 per cent at Safeway. The latest move looks like a catching-up exercise. Ever since Tesco launched its Value Lines in late 1993, Sainsbury has given the impression of being on the defensive. The latest evidence of this is the Tesco customer loyalty card, which, though sniffily decried by Sainsbury, has boosted its rival's sales. But to give Sainsbury its due, it has been adept at devising new retailing initiatives – not least its own-brand products in categories such as beer, nappies and baby-foods. As it concedes, it has not communicated its achievements as effectively as its competitors.

The cost of the new campaign will hit Sainsbury's own profits this year, but by less than 1 per cent. In the absence of price cuts, the feared sector-wide squeeze on margins will not materialise. The superstores have seen off the threat of the discounters and, so far at least, are disinclined to tear each other apart on price. For as long as this self-restraint holds, the sector will deserve to outperform further.

P/E ratios



Source: Datastream

Hartstone returns to 'normal' and dividend list

By Peggy Hollinger

Hartstone, the hosiery and leathergoods company, yesterday returned to the dividend list after a two-year absence and announced a sharp swing back into the black with profits of £4.7m after 1994's £70.7m losses.

Mr Shaun Dowling said the company was "just about respectable", with improved profits and gearing down from 310 per cent to 58 per cent. The payment of a 0.32p dividend signalled that Hartstone was ready to "behave like a normal company".

Mr Dowling said he expected the dividend to be increased in future in line with the improvement in profits.

He added that much remained to be done, most importantly the completion of refinancing talks with bankers. However, Hartstone would now be able to focus on building up the brands it owned, such as Etienne Aigner in the US – rather than concentrating on the "minuses", he said.

Hartstone was almost written off by investors in 1993 after issuing repetitive profit warnings and announcing it had breached banking covenants. After management changes, Hartstone launched a £30m rescue rights issue last year and has sold a number of businesses acquired in the acquisition binge between 1989 and 1993.

The sharp turnround in profits was partly due to the absence of £71.5m in exceptional charges on discontinued businesses. Excluding exceptionals, pre-tax profits rose from £800,000 to £4.6m, on sales down from £363.9m to £218m. Earnings of 1.8p per share, compared with a 58.6p loss.

The hosiery business – which the market expects will eventually be sold – benefitted from a record performance in Spain.

Shopping centre stake costs £340m

Capital Shopping Centres, the UK property company, has emerged as winner of a four-way auction for the Metro-Centre in Gateshead, Europe's largest covered shopping centre and one of the biggest properties ever to be sold in the UK, writes Simon London.

The company, which floated on the stock market last year, is thought to have offered the Church Commissioners, the Church of England body that is selling the shopping centre, about £340m for a 90 per cent interest. The Church Commissioners has indicated that it wanted to keep 10 per cent within its investment portfolio.

Capital Shopping Centres beat off the Prudential, the life insurer, and rival property companies Hammerson and Chelsfield to win the 2.2m sq ft centre.

CML Microsystems

CML Microsystems, the USM-quoted traffic control equipment manufacturer, reported reduced pre-tax profits of £3.81m for the year to March 31 on turnover ahead to £19.8m.

Mr George Gurry, chairman, said the promising start to the year had been curbed as difficulties emerged with the expanding operations of the traffic business, Microsense Systems.

There was also a late downturn in sales at MX-COM, the US semiconductor business.

Southern Water fails to deliver

By Peggy Hollinger

Southern Water was yesterday under fire from consumer groups and analysts as it unveiled increased annual profits but failed to deliver a special benefits package for shareholders or customers.

Customer rebates and special dividends have been a feature of this water industry reporting season, with Thames the only other company so far to resist the trend.

Mr William Courtney, chairman, said there was no need to pay a special dividend to shareholders. Instead: "We will ensure our annual dividend reflects the financial aspirations of our shareholders."

However, Southern said it would seek powers to buy back 10 per cent of its shares. This has the effect of enhancing earnings per share and could allow the company to accelerate the rate of dividend growth.

Meanwhile, Mr Courtney said customer benefits had been reflected in the price limits set at the last regulatory review. In addition, the company would examine whether to defer part of the annual price increase. Southern also intended to invest in discretionary spending, such as measures to prevent sewer flooding in the home.

The market expressed its displeasure with the announcement by marking the shares down 13p to 627p. "I think they are not in touch with the political realities of the world," said one analyst. "What they are doing would be fine in isolation, but the problem is that other companies are doing much more."

The Southern Consumer Service Committee, the independent consumer arm of the Office of Water Services, said yesterday the announcement left customers with "absolutely nothing". Professor Judith Rees, the CSC's chairman, said: "Shareholders appear to be the winners and customers are given nothing more than vague promises of service improvements."

BA appoints new marketing director

British Airways has appointed Mr Ford Ennals as its new marketing director to replace Mr Mike Batt, who left in March because he wanted to live in the US, writes Michael Skapinker.

Mr Ennals, 39, has marketing experience in both the US and the UK and has worked for Mars, Unilever and Reebok. He is currently executive vice president, marketing and business operations for Fruit of tha Loom, the clothing company.

Mr Bob Ayling, BA's managing director, said the appointment of Mr Ennals followed a worldwide search for someone to replace Mr Batt, who invented the Club World concept for the airline.

Mr Ennals, who joins BA next month, will be responsible for the company's advertising, customer relations and in-flight entertainment. A graduate of Nottingham University, he played football for England schoolboys.

He spent 10 years at Mars in both the US and the UK.

Faupel Trading 7% ahead

Faupel Trading Group, the USM-quoted importer of textile goods mainly from China, achieved a 7 per cent rise in pre-tax profits from £1.02m to £1.09m ($1.71m) in the year to March 31.

Turnover slipped to £27m (£27.8m) but operating profits improved from £1.54m to £1.74m. Last time there was an exceptional £82,000 credit.

The company plans to move to a full quote in July.

COMPANY NEWS: UK

Odds in favour of casino expansion

Scheherazade Daneshkhu considers plans for the easing of gambling regulations

Casino operators in the UK are placing their bets on a series of deregulatory moves which they hope will help expand business and profits.

More than 70 per cent of the UK's 119 casinos are in the hands of quoted companies such as Rank, Stakis, Stanley Leisure, London Clubs International and Capital Corporation, the former Crockfords.

Last year the total amount exchanged for chips amounted to £2.2bn, an 8 per cent increase on the previous year. London is the dominant centre with its 21 casinos accounting for two-thirds of this.

The casino industry has long lobbied against what it sees as archaic regulations which are only this year beginning to ease, mainly as a result of the government's commitment to deregulation and its own spectacular entry into the gambling business through the National Lottery last November.

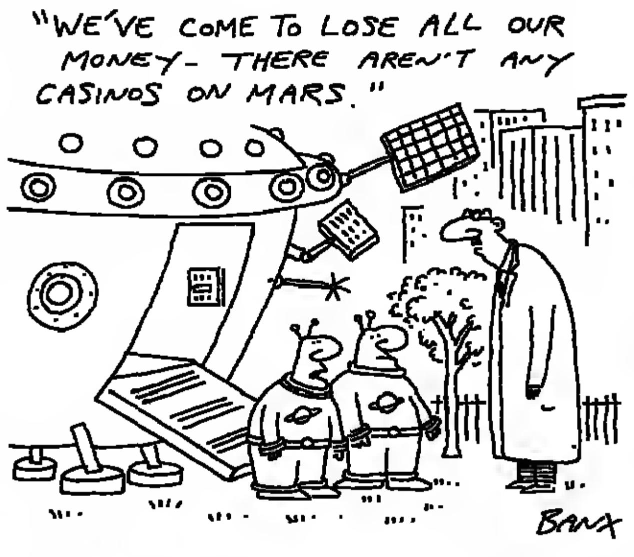
"We are on the edge of the most exciting era in British casinos for the last 30 years," said Mr David Michels, chief executive of Stakis, the hotels and casino group.

In the US, deregulation has led to rapid growth with casino revenues doubling since 1990 to $16.5bn (£10.5bn) last year, according to Harrah's, one of the largest US casino groups. The growth has been mainly driven by the introduction of state lotteries and the permission given to native American tribes to operate casinos on their reservations.

UK casino operators do not expect anything like the same lifting of controls or level of growth, and the changes proposed so far are relatively small.

Mr Bruce Jones, leisure analyst at Smith New Court, said the deregulation was good news especially for provincial casinos which, unlike London, have been going through a quiet period, possibly exacerbated by competition from the National Lottery.

The casinos were this year allowed two new card games, casino stud poker and super pan 9, in addition to the four existing games: roulette, punto banco, blackjack and dice. Super pan 9 is a more profitable game for the casinos, although Mr Michels said the margin on any new game was better for the house initially, until the punters get the hang of it.



In a government consultation paper expected soon, casinos hope to see proposals to modify the 48 hour rule, under which an individual has to register in person at the casino but cannot play for 48 hours – an inconvenience to tourists and big spenders passing through London.

Casinos also hope to be allowed to serve drinks after midnight given that they can stay open until 4am, and to be given some leeway on advertising. Casinos are not allowed to give unprompted information about where they are located. While they do not expect to be able to advertise on television, they hope the government will allow them to carry out notification advertising such as placing cards in hotels.

Jackpot machines are another issue. According to Mr Brian Lemon, general secretary of the British Casino Association: "Las Vegas talks in terms of thousands of machines, Europe in terms of hundreds and we talk in figures like two."

The government has proposed an increase in jackpot machines from two, paying out a maximum of £200 for a 20p stake, to six.

Mr Mark Finnie, leisure analyst at Nat West Securities, said that for a company such as Stakis, which makes about £2m out of its jackpot machines annually, the addition of four machines should increase income by at least £1m-£1.5m.

But it will make little difference to the most exclusive London clubs which do not install machines because of the low stake, unless there is a proposal to raise prize money.

The government may also be more flexible about where it allows casinos to be situated, but is unlikely to relax licensing to allow a proliferation of casinos. To this extent the deregulatory moves will be primarily beneficial to existing operators, according to Mr Finnie.

Mr Alan Goodenough, chief executive of London Clubs International, believes that any easing is long overdue. "We are fed up with being in a closet and not able to operate in a commercial way."

Although "we are no longer considered an exotic and slightly suspect investment, the investment community is only just beginning to recognise the cash generative advantages of our business".

The casino business is undervalued in the UK, he argues, where pure casino companies are on a significant discount to the FT-SE-A leisure and hotels sector and the ratings of comparable US companies.

Mr Alex Kyriakidis, a partner covering leisure services at Arthur Andersen, the accountant and business consultant, said the Gaming Board's tight regulation had helped clear skeletons out of the cupboard.

"However, the time has come to open up the industry for wider investment and to allow casinos to market themselves to bring in overseas players, otherwise the UK industry may lose out to the rest of Europe."

Shiva acquires Spider in $80m deal

By James Buxton, Scottish Correspondent

Spider Systems, the unquoted Edinburgh-based company that is a European leader in computer networking systems, has been acquired by Shiva Corporation of the US, in an all-share deal worth about $80m.

Both Spider and Shiva make systems and software for communications between computer networks. Shiva, which is based in Burlington, Massachusetts, said it was buying Spider mainly because it was the industry leader in tariff management for ISDN communications.

The US company is a leader in other aspects of digital internetworking and the companies made a "strong strategic and complementary fit" which would further strengthen its "global leadership in remote access to public and private networks", Shiva said.

Spider, which employs about 200 people and has concentrated on the European market, will retain its Edinburgh base. The deal will open up the US market to it, while its European penetration will assist the sale of Shiva's products.

Shiva which was founded in 1992 is quoted on Nasdaq, the US electronic exchange, and has a market capitalisation of nearly $500m. In 1994 it made profits of $2.7m on sales of $41m.

Spider, founded in 1983, had turnover in 1993-94 of £21m ($33m) for pre-tax profits of £700,000. Last year it introduced SpiderIntegrator which routes calls between computer networks and chooses the cheapest route for different types of communication.

Under the deal Shiva will issue 2m shares to Spider shareholders who consist of institutions and staff. The company's founders, Mr Martin Ritchie, managing director, and Mr Andrew Davis, technical director, are each expected to receive shares worth about £2.8m. Both will leave the company.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alders	6 mths to Mar 31	345.6	(333.1)	18.5♥	(11.1)	11.3	(9.6)	2.4	Aug 24	2.2	-	8.7
Brooke Tool	6 mths to Mar 31	9.08	(7.71)	0.166	(0.076)	0.5	(0.2)	nil	-	nil	-	0.1
CML Microsystems §	Yr to Mar 31	19.8	(18.8)	3.81	(4.55)	13.75	(15.58)	6.1	Aug 4	6	6.1	6
Denby	6 mths to Mar 31	13.15	(11.35)	2.43	(2.03)	4.9	(5)	1.15	Sept 4	nil	-	1.4
Eurocopy	6 mths to Mar 31	12	(13.2)	1.99	(1.64)	2.75	(2.27)	0.75	Sep 1	0.6	-	2
Faupel Trading§	Yr to Mar 31	27	(27.8)	1.09	(1.02♥)	6.26	(6.68)	3.05	Sept 4	3.05	4.9	4.9
Hartstone	Yr to Mar 31	218	(383.9)	4.7	(70.7L♠)	1.8	(58.6L)	0.32	Aug 21	nil	0.32	nil
London Merchant	Yr to Mar 31	32.6☨	(30)	35.3	(22.3)	11.05	(8.59)	3.8	Aug 26	3.4	4.4	4.2
Neotronics Tech	6 mths to Mar 31	9.8	(9.8)	0.08	(0.5)	0.1	(1.38)	0.85	Aug 25	0.85	-	1.7
Proteus	Yr to Mar 31	-	(-)	7.93L	(6.62L)	25.47L	(24.23L)	-	-	-	-	-
RCO Holdings	6 mths to Mar 31	24.7	(23.5)	1.9	(2.28)	11.71	(13.95)	4.95	Sep 26	4.95	-	16
Reflex Group ☨	Yr to Dec 31	6.49	(8.1)	5.77L	(0.62)	22.58L	(3.73)	-	-	-	-	-
Regalian Props	Yr to Mar 31	18.4	(63)	1.38	(2.75)	1.17	(2.64)	nil	-	nil	nil	nil
Scapa	Yr to Mar 31	437.3	(391.7)	46.1♠	(48.5)	12.2	(13.5)	4.44	Aug 18	4.23	6.14	5.88
Smith New Court	Yr to Apr 28	-	(-)	31.2	(95.2)	27.1	(119.1)	9	Aug 8	8	11	10
Southern Water	Yr to Mar 31	384.6	(347.7)	143.4	(127.5)	77.6	(70.3)	17.45	Oct 2	15.4	25.8	23.1
Sutcliffe Speakman	Yr to Mar 31	23.1	(23.5)	1.01♠	(1.1♥)	0.55	(0.51)	0.25	Oct 3	0.5	0.5	0.5
Swalec	Yr to Mar 31	641.9	(605.4)	122.6	(104)	96.1	(73.6)	19.6	Aug 18	18.1	30.6	25.6
Tinsley (Eliza)	Yr to Mar 31	16.3	(16.2)	0.842	(0.801)	7.69	(7.18)	3.65†	Oct 2	3.65	5.61	5.61
Tinsley Robor	Yr to Mar 31	35.1	(29.5)	2.24♠	(0.45)	5.3	(1.1)	1.167	Aug 31	nil	1.5	nil
Ugland Intl	Yr to Mar 31	31.5	(6.54)	0.701L♠	(1.23L♠)	1.49L	(11L)	2.06	Nov 17	0.74	4.71	0.74
Wagon Industrial	Yr to Mar 31	343.5	(279.9)	20.9♠	(15.6)	29.17	(19.58)	12.1	Oct 2	11.5	18.75	17.825

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Lloyds	16 mths to Mar 31✝	81.9	(95.2)	1.54	(0.019)	5.13	(0.07)	2.02	July 19	nil	4.52	nil
BZW Commodities	7 mths to Apr 30♦	100.4	(-)	3.04§§	(-)	0.4	(-)	-	-	-	-	-
Fleming High Inc	Yr to Apr 30	100.3	(101)	1.56	(1.52)	4.82	(4.7)	1.15	-	1.15	4.5	4.4
Moorgate Smaller	Yr to Apr 30	123.12	(137.96)	3.18	(3.12)	4.64	(4.56)	2.65	July 31	2.48	4.45	4.28
Second Cons	6 mths to Apr 30	89.9	(74.5)	0.169	(1.12)	0.49	(3.28)	nil	-	1.5	-	3.8

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ✝Comparatives for 3 mths to Nov 30 1993. ♥After exceptional credits. ♠After exceptional charges. ☨Net rental income. §§Includes £2.73m related to investments. ♦Period from Sept 22 1994 to Apr 30 1995

COMMODITIES AND AGRICULTURE

Caution urged on LME copper and tin

By Kenneth Gooding, Mining Correspondent

London Metal Exchange users were given a warning yesterday to treat the copper and tin markets with caution. The LME executive issued the warning because of a tightness in supply of metal for immediate delivery.

At the same time, Mr Raj Bagri, chairman, promised his board would deal severely with any organisation that attempted to use its financial weight to tie up stocks and distort prices.

He said: "With the huge amount of money floating round financial markets at present, anybody can make a mockery of a futures market. That we will not allow to happen to the LME. We have a duty to make sure that LME prices reflect the fundamentals and that people can still hedge their risks".

Mr Bagri pointed out that that 90 per cent of tho base metals industry used LME settlement prices. His board had the right to take whatever steps were appropriate and necessary to ensure than the exchange's markets remained orderly.

LME executives made it clear they were not particularly concerned about the present state of the copper and tin markets where tightness has driven prices into backwardation – where there is a premium for nearby delivery. Last night there was a US$48 a tonne spot/three months backwardation for copper and one of $160 for tin.

Mr David King, LME chief executive, suggested that the backwardations were justified by the fundamental market situation for both metals. The tin market was showing a supply deficit and stocks were falling.

Mr Philip Crowson, an LME director and also chief economist at RTZ Corporation, the world's biggest mining company, said the copper market would be in deficit until 1996. He said people close to the market were fully aware of the dangers. The LME's warning was to make sure that "people out on the fringes of the market do not get harmed. These are markets for consenting adults and this is a warning to miners not to get involved."

Presenting the LME's annual report, Mr Bagri also warned those who might sell short (sell metal they did not own in the hope of buying it at a lower price later) that the LME board was not there to bail them out.

He said exchange turnover rose 35 per cent in 1994 – the seventh successive increase – to about 1bn tonnes, worth US$2,000bn. Pre-tax profit fell from £2.14m to £1.95m. In 1993 the LME returned £2m of contract levy income to members but there was no rebate last year so turnover rose from £6.27m to £7.55m.

Pulp price to hit fresh record

By Christopher Brown-Humes in Stockholm

Enso-Gutzeit, the Finnish pulp and paper group, said yesterday it would increase softwood pulp prices to $1,000 a tonne from October 1, a new record for the commodity.

The move will raise the price of northern bleached softwood kraft, the industry benchmark, by $75 a tonne and is widely expected to be followed by other producers on both sides of the Atlantic.

It continues an unprecedented climb in pulp prices, which as recently as mid-1993 had been languishing at $390 a tonne. Seven previous price increases met little market resistance and analysts say the peak of the cycle may still not have been reached.

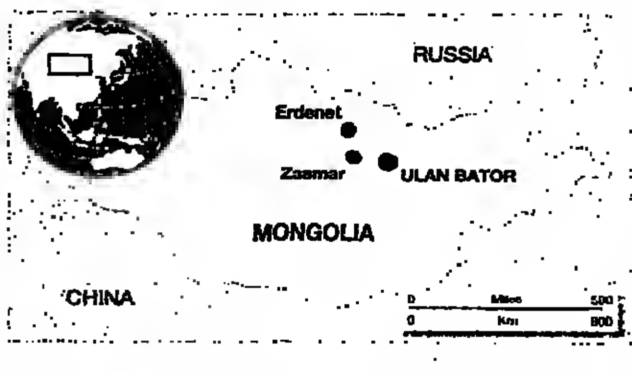
Mr Kari Vainio, an Enso vice-president, said that the increase was justified by shortages of pulpwood and "excellent" market demand for paper and board products. Wood supplies have been hit by environmental concerns and reduced imports from Russia.

Ms Michelle Evans, a pulp and paper analyst with James Capel in London, said pulp stocks were relatively low and little new capacity was in the pipeline. "Fundamentals would suggest the price could still climb further," she added.

It is not surprising that Enso has led the way with the increase because the Finnish markka has strengthened by more than 15 per cent against the US dollar in the past year.

Mongolia plans to dig for victory

Mining is seen as the lifeline for the central Asian republic, writes Kenneth Gooding



Copper, gold and molybdenum are likely to provide the lifeline Mongolia will use to drag itself towards the international mainstream after being almost totally dependent on the Soviet Union for the 70 years to 1990.

The land-locked, central Asian republic produced about 120,000 tonnes of copper last year and plans to increase that by 10 to 20 per cent.

Its government also wants to boost gold production from a modest two tonnes to ten tonnes by 1998.

To this end, a new mining law was passed in January that permits full foreign ownership of mining ventures in Mongolia, including those involving precious metals. No longer are gold producers forced to sell to the Mongolian central bank at prices below the prevailing international price.

Until gold production increases, Mongolia will rely heavily on its premier copper and molybdenum producer, Erdenet, a group 51 per cent owned by the state with the rest in the hands of the Russian Ministry of Geology.

Erdenet began mining in 1978 and today the company town is the third largest in Mongolia, with 80,000 inhabitants. The group has eight subsidiaries together employing 7,000. Until 1990 all its output – which last year included 2,900 tonnes of molybdenum, a metal used for toughening metal alloys – went to the Soviet Union, which sent in return everything from food, clothing, oil and electricity to chewing gum.

Erdenet now exports copper and molybdenum concentrates, standard copper cathode and molybdenum oxide to 20 countries. Last year its copper exports accounted for 64 per cent of Mongolia's foreign earnings of US$324m.

Mr Damba Galsandorj, Erdenet's representative in London, says that this year demand from China is so great that the neighbouring republic will buy about 60 per cent of Mongolia's copper.

Erdenet sends about one third of its concentrates to the Balkhash smelter in Kazakhstan and much of the rest to Russian smelters in the Ural mountains for processing. But it is expanding its own copper-molybdenum capacity with help from Outokumpu, the Finnish metals group, which is taking molybdenum and molybdenum concentrate in payment.

Copper reserves are big enough for another 60 years and mine capacity is also being enlarged. The World Bank and other western institutions provided Mongolia with US$185m to help smooth the transition from a centrally planned to a market economy and some of this cash is being used to provide heavy trucks and modern equipment for the mines, as well as for railway maintenance and oil and lubricant deliveries.

Mr Galsandorj says Erdenet plans to increase quickly the ore mined from 20m tonnes a year to 27m tonnes. By the year 2005 output is expected to reach 30m tonnes. Last year Erdenet built, with Chinese help, an explosives production plant to cover all its requirements. Russia and South Korea will help to build a steel ball plant to reduce imports of these "consumables" needed by the mills.

Erdenet also intends to re-treat its waste dumps, or tailings, using modern solvent-extraction, electro-winning technology to extract most of the remaining copper. This should produce 8,000 to 10,000 tonnes of copper a year, says Mr Galsandorj. Magma Copper of the US is providing technical help.

He says Erdenet hopes the government will cut the group's tax payments, at present 40 per cent of its operating profit, to help pay for the expansion.

In the meantime, a big copper field is being explored with a US company that signed a joint venture agreement with Erdenet earlier this year. If this proves to be worth mining Erdenet may well build a small copper smelter – 50,000 to 80,000 tonnes a year capacity – and is even considering copper wire production. Finnish, Japanese and other western companies have made proposals about these plants but, says Mr Galsandorj, "this will take time".

Erdenet is increasing the efficiency of its copper and molybdenum operations with a 500,000 tonnes a year concentrates bagging facility at the mine. Nectar, an Anglo-Dutch shipping group, may build another close to the border with China.

Although Erdenet has no gold operations, Mr Galsandorj recently completed research for a book about Mongolia, intended to help business people as well as tourists, and he says about 50 mining companies are exploring for gold in the country. One deposit, Zaamar, with a resource of 100 tonnes of gold, is to be developed by a Mongolian-Russian joint venture. The government is having discussions with American and other western companies about another, Boroo, with a resource of 40 tonnes of the precious metal.

Mongolia: by Damba Galsandorj, £6 from Erdenet, 17 Hyde Park Towers, 1 Porchester Terrace, London W2 3TU.

Chinese grain fears 'unfounded'

By Geoff Tansey

Fears that China's future grain import needs will drain world food markets are unfounded, according to a study released at the "2020 Vision for Food, Agriculture, and the Environment" conference in Washington, which ended yesterday.

China's grain imports are unlikely to exceed 50m tonnes by the year 2020, which would not cause disarray in the world market, according the report's co-authors, Jikun Huang, of the China National Rice Research Institute, Scott Rozelle of Stanford University's Food Research Institute and Mark Rosegrant, of the International Food Policy Research Institute, which co-sponsored the conference with the National Geographic Society.

They say massive imports will be not be needed owing to levelling off in per capita demand and increasing growth of food production, if improvements continue to be made in growing technology.

One such improvement is a new method of rice breeding which promises to increase rice yields by 15-20 per cent over four to five years, according to reports at the conference by a team of scientists from Cornell University and China's Hunan Hybrid Rice Research Centre. The researchers use genetic "maps and markers" to harvest high-yielding plant genes that are not apparent in low-yielding plants.

Water use also needs to be used more efficiently according to a study on Reforming Water Allocation Policy through Markets in Tradable Water Rights reported on at the conference. With water becoming increasingly scarce and new resources more costly to develop, wherever the price of water for urban and agricultural uses is kept artificially low subsidies should be reduced as part of comprehensive policy reform that also includes establishing secure water rights, say the study's authors, Mark Rosegrant of IFPRI and Renato Gazmuri Schleyer, former secretary for agriculture in Chile.

Continued support for agricultural research and aid for agriculture is in the self interest of the rich world, according to the study Foreign Assistance to Agriculture: A Win-Win Proposition, also released at the meeting. It shows that each dollar invested in agricultural research in developing countries increases their imports of additional goods and services by more that $4, thus expanding the world export market.

"Some US farmers and producer associations have mistakenly believed that agricultural aid to developing countries would cause US farmers to lose export markets," said co-author James Garrett. "In fact, just the opposite is true. Agricultural imports actually increase in developing countries when their own agriculture sector grows."

Per Pinstrup-Andersen, director general of the IFPRI proposed a six-point "2020 Vision" action plan at the close of the meeting. Broadly, the plan calls for:

- Strengthening the capacity of developing-country governments to perform such functions as ensuring law and order in rural areas, securing property rights, establishing and enforcing regulations and standards and promoting competition in private markets;
- Investing in poor people by providing access to employment, productive resources such as land and credit, basic health care and education;
- Increasing agricultural growth through investments in agricultural research and extension;
- Promoting sustainable agricultural intensification with special emphasis on areas with fragile soils, limited rainfall and widespread poverty;
- Developing effective, efficient and low-cost agricultural input and output markets;
- And expanding international assistance and improving its efficiency.

"What is really critical for developing countries right now," he says, "is that small-scale private enterprise gets developed so we have many small private firms competing as they generate more labour and so increase purchasing power".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1749-50	1771-2
Previous	1740-1	1761-2
High/low	1755	1782/1770
AM Official	1755-5.5	1776-7
Kerb close		1773-5
Open int.	197,018	
Total daily turnover	33,202	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1590-600	1620-30
Previous	1600-20	1625-40
High/low		1630
AM Official	1595-600	1625-30
Kerb close		1620-30
Open int.	2,509	
Total daily turnover	232	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	611-2	625-6
Previous	613-4	626-7
High/low	613	630/624
AM Official	613-4	626-7
Kerb close		624-5
Open int.	31,137	
Total daily turnover	3,687	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7635-45	7765-70
Previous	7590-600	7725-30
High/low		7660/7650
AM Official	7650-5	7785-90
Kerb close		7765-75
Open int.	43,851	
Total daily turnover	8,274	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6845-55	6885-95
Previous	6730-40	6580-90
High/low		6730/6880
AM Official	6850-5	6890-5
Kerb close		6675-80
Open int.	19,775	
Total daily turnover	3,750	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1004.5-6.5	1027-8
Previous	1001.5-3.5	1025-7
High/low		1032/1027
AM Official	1006-8	1029-9.5
Kerb close		1028-9
Open int.	86,181	
Total daily turnover	14,976	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2961-2	2913-4
Previous	2906-8	2871-3
High/low	2960/2957	2920/2888
AM Official	2956-7	2905-6
Kerb close		2912-3
Open int.	239,745	
Total daily turnover	62,239	

■ LME AM Official £/$ rate: 1.6001

LME Closing £/$ rate: 1.5955

Spot:1.5958 3 mths:1.5938 6 mths:1.5891 9 mths:1.5832

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jun	139.90	+4.55	139.90	136.50	1,045	141
Jul	138.95	+4.18	139.00	134.65	25,556	6,868
Aug	137.45	+3.85	135.50	135.50	742	-
Sep	136.25	+3.85	136.40	132.00	8,682	1,240
Oct	134.65	+3.50	132.70	132.60	601	-
Nov	133.15	+3.35	133.15	131.25	387	-
Total					47,618	8,829

PRECIOUS METALS

■ LONDON BULLION MARKET

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	391.7	+3.4	392.2	388.7	687	114
Aug	393.9	+3.3	394.5	390.8	75,800	31,617
Oct	[illegible]					
Dec	[illegible]					
Feb	[illegible]					
Apr	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	126.50	+1.60	126.50	125.00	504	88
Sep	107.75	+0.25	-	-	636	-
[illegible]						

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						
Oct	1895	+15	1895	1880	1,339	55
Jan	1815	+23	1820	1805	708	45
Apr	1804	-6	1805	1805	73	24
Total					3,802	375

	Close	Prev
BFI	1990	1983

> **Wool**
>
> The main wool selling seasons are drawing to a close and evidence this week does not indicate that it will leave wool on a dearer trend. South Africa's final sale was a little cheaper, and in Australia, with another couple of weeks to go, the Eastern market indicator ended at 614, 0 cents lower than a week ago. New Zealand saw a sharper fall, with the market indicator down to 520 cents, from 549 two weeks ago, when it also fell quite sharply. In all cases allowance has to be made for end-of-season offerings but a major factor is the dullness of demand from consuming countries where processors are experiencing poor demand from the retail end. The International Wool Conference, held in Harrogate this week, brought world wool leaders together and indicated that disappointing business experience was very widespread and not confined to the UK.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	921	+6	920	912	16,583	676
Sep	944	+9	944	932	27,007	1,348
[illegible]						

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						
Dec	79.88	+0.28	80.00	79.05	29,981	3,094
Mar	80.85	+0.30	80.95	80.18	10,577	48
May	81.85	+0.42	81.65	80.70	3,854	234
Jul	81.65	+0.55	81.65	80.90	1,890	74
Total					68,814	5,385

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	103.80	2.80	104.90	100.80	9,000	1,696
Sep	107.00	2.80	108.10	103.90	12,243	1,607
Nov	107.00	1.60	107.00	105.00	1,988	117
Jan	108.55	1.18	108.75	107.50	2,735	18
Mar	111.60	1.95	111.60	110.00	850	-
May	115.60	2.95	115.60	113.75	432	-
Total					27,248	3,430

> **VOLUME DATA**
>
> Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 15	Jun 14	month ago	year ago
2277.4	2269.0	2323.1	2032.0

■ CRB Futures (Base: 1967=100)

Jun 14	Jun 13	month ago	year ago
233.78	232.68	231.58	N/A

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	62.800	-0.575	63.775	62.575	5,790	2,142
Aug	60.825	-0.900	62.050	63.200	26,547	7,300
[illegible]						

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Aug)

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

[illegible]

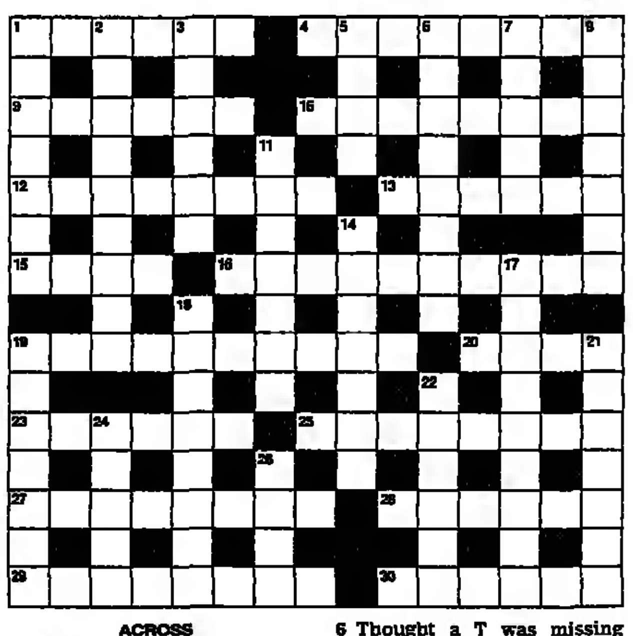
■ OTHER

[illegible]

JOTTER PAD

CROSSWORD

No.8,789 Set by ALAUN



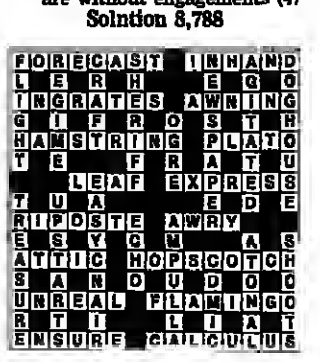
ACROSS

1 Soused and not even in the money (8)
4 Must get treatment – was cut when one fell (8)
9 While I'd be juggling inside with lives (6)
10 Are not so concerned, being stupid (8)
12 Follow home, in disfavour (8)
13 Make up a story about an animal – a dog (6)
15 They don't agree the numbers should be divided by a quarter (4)
16 What the boy soprano felt when his voice broke? (4,6)
19 Setting off too early for the races (5,5)
20 Appeared fruitless, but one did the same (4)
23 Believe it will take (6)
25 Going into the pub, too, I'm to order (2,6)
27 Be informed in the note about the bid (3,5)
28 Pass the advice to the girl with the lank hair (6)
29 Everybody carried out came to (8)
30 Brown was beaten (6)

DOWN

1 Word with a double meaning (5-2)
2 Succeeding in cooking properly (5,4)
3 Were accepted on return previously (3,3)
5 The account for the auditor will follow (4)
6 Thought a T was missing from "arbitrated" (8)
7 Is second to none, we're told, in the city (5)
8 Lineage of a family that's come down in the world? (7)
11 Says it's a strain to stand up (7)
14 For a few months incarcerating, but refraining from killing (7)
17 If he's successful, he makes good (9)
18 A good goalie will always be fit (4,4)
19 Unrolled as fast as one could (4,3)
21 Meant it's not going into action (7)
22 A bird sanctuary in an Italian city (6)
24 Box containing vital necessities (5)
26 As the cockney said, the trio are without engagements (4)

Solution 8,788



INTERNATIONAL CAPITAL MARKETS

Low volumes exacerbate fall in Europe

By Graham Bowley in London and Lisa Bransten in New York

European government bond prices headed lower yesterday in quiet trading conditions as dealers reacted badly to disappointing US economic data.

Figures showed that US industrial production declined in May but the fall was less than traders had expected.Bond prices in Europe fell back on the news, although it had little effect on the US Treasury market.

The data's effect was exacerbated by low turnover across Europe because German financial markets were closed for a holiday.

■ UK government bond prices declined amid inflationary concerns triggered by doubts about the government's commitment to low inflation.

Traders said the chancellor's hints in his Mansion House speech on Wednesday that underlying inflation could temporarily rise above the long-term target rate of 2.5 per cent caused concern among investors.

Poor inflation figures – which showed that underlying retail price inflation accelerated to 2.7 per cent last month from 2.6 per cent in April – caused a sell-off early in the day. The gilt yield curve also steepened slightly.

GOVERNMENT BONDS

The long gilt future on Liffe fell $\frac{7}{16}$ point to 105¾. The 10-year gilt yield spread over German bunds widened to 149 basis points.

■ German government bonds ended largely flat, with the September bund futures contract traded on Liffe in London closing at 94.01, down 0.03.

Traders took advantage of the quiet trading conditions to further dissect the comments made by Bundesbank officials after Wednesday's council meeting. "Issing's [Mr Otmar Issing, a Bundesbank director] comments that the full effect of the last interest rate cut have still to be seen suggests that the Bundesbank sees no need to cut rates soon," said Mr Huw Roberts, European bond strategist at NatWest Markets.

The central bank's decision to leave interest rates on hold caused a slight flattening of the curve. This continued yesterday, with short-term interest rates rising.

■ French government bonds moved higher amid rumours that the Bank of France might act soon to lower French official interest rates.

The rumours were sparked by a softening of overnight call money interest rates. This fuelled speculation that the French authorities were guiding short-term rates lower to prepare the market for an easing of official rates.

The September notional futures contract on Matif closed at 115.10, up 0.14 point.

■ Political worries plagued Spanish government bonds, with prices falling sharply lower.

The Spanish market had been performing well in previous sessions until hit by corruption allegations.

■ Italian government bond prices advanced, in spite of fresh supply.

The Italian Treasury auctioned L1,000bn of 10-year bonds with a 10.50 per cent coupon and L1,500bn of floating-rate notes with a coupon of 5.5 per cent.

■ US Treasury prices were nearly flat yesterday morning as the market consolidated after two weeks of sharp fluctuations.

By midday, the benchmark 30-year Treasury was off $\frac{1}{16}$ at 113$\frac{23}{32}$, to yield 6.572 per cent.

At the short end, the two-year note was unchanged at 100$\frac{9}{32}$, to yield 5.644 per cent.

Bonds mostly shrugged off economic data showing the economy to be slowing. Industrial production dropped 0.2 per cent and capacity utilisation fell to 83.7 per cent in May, according to the Federal Reserve Board.

Both figures were broadly in line with economists' estimates.

There was a brief rally after the Federal Reserve Bank of Philadelphia released its survey of June economic activity.

The index of general business conditions slid 24.3 per cent in June after a 16.4 per cent decline in May.

The survey data is important because it gives the first indication of economic performance in June.

However, bonds were unable to hold their gains and by midday slid back to late Wednesday levels.

Mr Philippe Jordan, head of fixed-income trading at Daiwa Securities America said the market was entering a period of consolidation and would probably remain in a narrow range for a few days.

Asian Development Bank issue raises Y40bn

By Antonia Sharpe

Asian Development Bank yesterday returned to the euroyen market for the first time since 1993 and raised Y40bn through an offering of 10-year eurobonds.

Unlike many euroyen bonds, ADB's offering was listed in order to achieve a wider distribution, lead manager Nikko said. Sales of the bonds were targeted at central banks and investment management groups in south-east Asia.

INTERNATIONAL BONDS

The bonds were priced to yield 2½ basis points over the benchmark No174 Japanese government bond, which represented a pick-up of 8 basis points over the World Bank's global yen bonds due 2004. When the bonds were freed to trade they eased in line with the weaker market but the spread was broadly unchanged.

Nikko is also arranging the first euroyen deal for a Spanish province. The Basque Country plans to raise the equivalent of Pta20bn, about Y13bn-Y15bn, through an offering of 10-year eurobonds.

The market is waiting for Belgium to make its mind up about its widely-expected eurodollar offering. The latest view is that it will be a 10-year deal. Most eurobond houses have made a pitch but only five banks – three American and two European – are said to be on the shortlist.

Dealers were surprised at the huge response to the offer announced Wednesday by British Gas to buy back its 50-year eurobonds. In the late afternoon, HSBC said £154m of the nominal £200m offering had been bought back, well above market expectations which had ranged from one-quarter to one-half.

However, sales of the replacement £200m 30-year offering by British Gas remained slow, although HSBC said it "was not doing badly".

Syndicate managers said now word had got out that sales of the new bonds were slow, investors were inclined to wait until the spread widened to the high 50s over gilts, the level they believed to be more appropriate than the launch spread of 53 basis points.

A $300m two-year floating-rate note from Bancomext, the Mexican government-owned development bank, re-opened the eurobond market to Mexico six months after the peso crisis. However, the large spread of 500 basis points over Libor showed that Mexico had some work to do to get back down to the spread of 200 basis points enjoyed less than two years ago.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
NationsBank Corp.(a)‡	500	(a1)	99.91R	Jul.2000	0.175R	-	Merrill Lynch International
Bancomext(b)‡	300	(b1)	100.00R	Jun.1997	0.50R	-	Santander Investment Bank
Den Danske Bank(c)‡	100	(c1)	99.165R	Jul.2005	0.50R	-	Morgan Stanley & Co. Intl.
YEN							
Asian Development Bank	40bn	3.125	99.594R	Jun.2005	0.325R	-	Nikko Europe
SWISS FRANCS							
Eksportfinans	100	4.50	102.25	Aug.2001	2.25	-	UBS

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable on coupon dates from Jul.98 at par. a1) 3-mth Libor + 20bp. b) Puttable on 23/6/96 at par. Put waiver fee of ½% payable at maturity. b1) 6-mth Libor +500bp. c) Callable on coupon dates from Jul.02 at par. c1) 6-mth Libor +50bp to Jul.02 and +200bp thereafter.

Liquidation sought for Barings parent

By Antonia Sharpe

A group of Barings bondholders yesterday asked the administrators of Barings plc to go back to the High Court to seek directions on whether the parent of the failed UK merchant bank should be put into liquidation.

The creditors' meetings came three months after the High Court approved the sale of the worldwide business operations of the Barings Group to Internationale Nederlanden Group (ING), the Dutch banking and insurance group.

Holders of a $150m capital note due 2001 which was issued in 1986 by Barings BV, a Dutch financing arm, want Barings plc to be put into liquidation so that their bonds can be "accelerated", which means the principal amount would be due to be repaid early.

By having their bonds accelerated, the 1986 bondholders would be in the same position as the holders of another $150m floating-rate note due 2001 which Barings BV issued in 1994. Their bonds, which were declared in default shortly after Barings went into administration, are already accelerated.

The two groups of bondholders are pitted against each other because they are both creditors of Barings BV. Although Barings BV was not bought by ING, the Dutch bank has said that in 1999 it will repay a $150m loan which Barings BV made to Baring Securities, and between 5 per cent and 20 per cent of a $93.7m loan made to Baring Brothers. The 1986 bondholders are in a weaker position because their notes have a "flip" clause which switches liabilities for payment of creditors to Barings plc if Barings BV goes into liquidation.

Albania close to debt relief plan

By Richard Lapper

The World Bank was yesterday expected to approve a $25m grant to Albania, paving the way for an innovative scheme to reduce the country's external debt.

Albania, which owes just over $500m to commercial banks and is receiving help from the European Union, will inject more than $50m of its resources into a scheme allowing creditors to buy back their debt or convert it into 30-year par bonds.

More than 40 creditor banks will have until the end of this month to consider their options. Charterhouse, the merchant bank advising the bank advisory committee on the deal, hopes for completion by the end of July.

The World Bank contribution is being made through the International Development Association (IDA), which provides assistance to the world's poorest countries.

It is understood to be the biggest grant made under the IDA's debt reduction facility, which was set up in 1989 and has helped a number of highly-indebted countries reduce their debts to commercial banks.

Albania is also the first IDA country to combine a buy-back with a Brady-style offer. Other IDA beneficiaries have tended to combine buy-backs with debt-for-equity exchange schemes. Banks accepting the buy back option will receive 20 cents for each dollar of debt. Between $160m and $285m of the commercial debt will be eligible for buy-back, with banks accepting the option eligible to receive 20 cents for each dollar of debt.

At the same time, the new par bonds are designed so as to completely eliminate any future recourse by creditors to Albania.

Effectively banks accepting this option will accept a deal worth 25 cents for each dollar of debt, with the money being used to create bonds backed by 30-year US zero coupons and an income fund.

While the zero coupons will provide collateral for the bonds, the income fund will generate returns through investments in a range of emerging market debt instruments, including Brady bonds issued by other distressed sovereign debtors.

Managed by Finely, a subsidiary of Crédit Commercial de France (a part-owner of Charterhouse), the income fund will initially offer a return of 2 per cent, rising to 5 per cent a year.

Banks accounting for a minimum of $100m and a maximum of $225m will have to agree to accept the bonds for the deal to go ahead.

Some $225m of the total commercial debt was incurred at the State Bank of Albania more than five years ago, resulting from failed currency trades, and was originally concealed for several months.

Central bank officials subsequently failed to honour obligations to settle the foreign exchange trades. Because of the debt's unusual origin, Mr Adam Seymour, a director of Charterhouse, said the advisory committee had been anxious "to give the banks an option which would preserve face value of their claims".

The par bond option is primarily available for banks with losses from foreign exchange trades.

The remainder of the debt stems mainly from short-term credits, largely from trade finance loans extended by banks to the former communist regime.

Mr Dylber Vrioni, Albania's deputy prime minister and finance minister, said the deal reflected efforts by the government to improve its relations with international banks and that Albania "wanted to break the isolation".

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	90.9200	-0.190	8.88	8.89	9.23
Austria		7.000	05/05	0.0000	-	0.00	6.90	7.20
Belgium		8.500	03/05	94.4200	+0.220	7.31	7.19	7.71
Canada *		8.750	12/05	106.4000	+0.100	7.64	8.04	8.21
Denmark		7.000	12/04	91.6600	+0.180	8.29	8.09	8.45
France	BTAN	7.750	04/00	102.7500	-	7.04	6.91	7.20
	OAT	7.500	04/05	100.2400	+0.150	7.48	7.35	7.65
Germany Bund		8.875	05/05	0.0000	-	0.00	6.57	6.92
Ireland		6.250	10/04	86.0000	-0.100	8.47	8.31	8.74
Italy		8.500	01/05	85.3000	+0.180	12.14†	11.87	12.10
Japan	No 129	6.400	03/00	118.0870	-0.370	2.19	2.09	2.61
	No 174	4.600	09/04	111.7440	-0.410	2.98	2.87	3.35
Netherlands		7.000	06/05	100.9800	-	6.86	6.71	6.99
Portugal		11.875	02/05	99.4000	-	11.36	11.87	12.18
Spain		10.000	02/05	90.3100	-0.470	11.68	11.32	11.57
Sweden		8.000	02/05	73.1230	-	10.57	10.42	10.86
UK Gilts		8.000	08/99	93-23	-8/32	7.81	7.56	8.07
		8.500	12/05	102-27	-8/32	8.09	7.88	8.28
		9.000	10/08	107-00	-9/32	8.13	7.93	8.32
US Treasury *		6.500	05/05	102-20	+2/32	6.14	6.23	6.68
		7.625	02/25	113-20	-4/32	6.57	6.57	7.02
ECU (French Govt)		8.000	04/04	88.7000	-0.120	7.81	7.64	8.04

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.72	Two year	5.71
Prime rate	9	Two month	5.43	Three year	5.79
Broker loan rate	6½	Three month	5.65	Five year	5.92
Fed.funds	6¼	Six month	5.69	10-year	6.18
Fed.funds at intervention	-	One year	5.83	30-year	6.58

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	115.44	115.52	+0.18	115.70	115.08	137,164	41,812
Sep	114.96	115.10	+0.14	115.26	114.70	52,185	125,213
Dec	114.80	114.90	+0.14	114.84	114.76	298	2,364

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
114	-	1.99	-	0.22	-	-
115	0.64	1.36	-	0.55	1.26	-
116	0.27	0.89	-	1.18	1.75	-
117	0.08	0.55	-	-	-	-
118	0.05	-	-	-	-	-

Est. vol. total, Calls 6,311 Puts 7,883 . Previous day's open int., Calls 159,534 Puts 136,491.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.94	94.01	-0.03	94.53	93.81	112489	181007
Dec	93.40	93.49	-0.03	93.68	93.40	221	5932

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9400	0.37	0.78	0.98	1.12	0.36	0.77	0.97	1.63
9450	0.18	0.56	0.75	0.94	0.67	1.05	1.24	1.95
9500	0.07	0.38	0.57	0.78	1.06	1.37	1.56	2.27

Est. vol. total, Calls 15494 Puts 10623. Previous day's open int., Calls 192271 Puts 142508

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.40	98.47	+0.16	99.04	98.30	32404	40252

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
9800	2.17	2.78	1.70	2.71
9850	1.89	2.55	1.92	2.98
9900	1.62	2.32	2.15	3.25

Est. vol. total, Calls 531 Puts 280. Previous day's open int., Calls 30091 Puts 18687

Spain

■ NOTIONAL SPANISH BONO FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	85.53	85.12	-0.44	85.94	85.10	66,199	20,087
Sep	85.34	85.03	-0.33	85.68	84.92	6,248	18,298

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-25	106-08	-0-14	106-25	106-20	275	14917
Sep	106-04	105-24	-0-14	106-15	105-21	42503	97192

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
105	1-05	1-43	2-01	2-29	0-21	0-59	1-17	2-13
106	0-32	1-08	1-30	1-63	0-48	1-24	1-46	2-47
107	0-11	0-45	1-02	1-37	1-27	1-61	2-18	3-21

Est. vol. total, Calls 3220 Puts 3508. Previous day's open int., Calls 40963 Puts 38134

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	85.90	85.90	+0.02	86.00	85.66	3,651	5,608
Sep	85.74	85.70	+0.04	85.76	85.44	2,405	5,418

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	114-12	114-11	-0-02	114-19	114-04	14,411	61,574
Sep	114-03	114-00	-0-03	114-08	113-24	304,777	348,768
Dec	113-23	113-10	-0-07	113-25	113-14	2,667	6,290

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.45	-	-	118.47	118.24	3303	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jun 15	Day's change %	Wed Jun 14	Accrued interest	xd adj. ytd		Low coupon yield Jun 15	Jun 14	Yr. ago	Medium coupon yield Jun 15	Jun 14	Yr. ago	High coupon yield Jun 15	Jun 14	Yr. ago
1 Up to 5 years (23)	120.98	-0.09	121.35	1.67	5.26	5 yrs	7.87	7.82	8.36	7.87	7.83	8.56	7.93	7.89	8.67
2 5-15 years (21)	143.75	-0.12	144.21	1.34	6.53	15 yrs	8.11	8.08	8.57	8.13	8.11	8.71	8.23	8.22	8.97
3 Over 15 years (9)	162.04	-0.27	162.46	2.25	6.06	20 yrs	8.11	8.08	8.52	8.14	8.11	8.71	8.22	8.20	8.79
4 Irredeemables (6)	185.43	+0.32	184.84	1.58	6.36	Irred.†	8.13	8.16	8.62						
5 All stocks (59)	140.24	-0.14	140.57	1.63	6.05										

Index-linked							Inflation 5% Jun 15	Jun 14	Yr. ago	Inflation 10% Jun 15	Jun 14	Yr. ago
6 Up to 5 years (2)	195.57	+0.06	195.46	1.05	2.57	Up to 5 yrs	3.28	3.30	3.78	1.57	1.83	2.70
7 Over 5 years (11)	184.79	+0.06	184.64	0.86	2.36	Over 5 yrs	3.63	3.64	3.89	3.42	3.45	3.89
8 All stocks (13)	185.01	+0.06	185.05	0.87	2.37							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jun 15	Jun 14	Jun 13	Jun 12	Jun 9	Yr ago	High*	Low*
Govt. Secs. (UK)	93.51	93.58	93.79	93.18	93.45	91.60	95.51	90.22
Fixed interest	112.82	112.96	112.55	112.62	113.34	108.73	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jun 14	Jun 13	Jun 12	Jun 9	Jun 8
Gilt Edged bargains	85.9	87.7	77.7	87.7	94.0
5-day average	88.8	87.8	88.4	101.5	101.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on June 15

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98⅜	98⅝		6.05
Abbey Natl Treasury 6½ 03	1000	98½	98⅞	+⅛	6.75
ABN Amro Bank 7¼ 00	1000	102⅝	102⅞	+⅛	7.00
United Kingdom 7¼ 97	5500	104⅛	104¼		5.21
Volkswagen Intl Fin 7 03	1000	98⅞	99½	-¼	7.19
World Bank 0 15	2000	24	24⅛	+¼	7.20
World Bank 5⅞ 03	2000	98⅝	93¾	-⅛	6.89
Abbey Natl Treasury 8 08 £	1000	96⅛	96⅜	-⅛	8.89
Alliance Leics 11⅞ 97 £	100	100	108¼	-⅛	7.83
British Land 8⅞ 23 £	150	91⅞	92⅛	-⅛	9.96
Denmark 6⅛ 98 £	800	96⅞	97	-⅛	7.88

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Shorts (Lives up to Five Years)							
Exch 10¼pc 1995		10.20	6.05	100$\frac{15}{32}$xd	—	101$\frac{7}{8}$	100$\frac{13}{32}$
Treas 12¾pc 1995‡‡		12.43	6.32	102$\frac{19}{32}$	—	104$\frac{7}{8}$	102$\frac{13}{32}$
14pc 1996		13.41	6.45	104$\frac{13}{32}$xd	—	106$\frac{7}{8}$	104$\frac{13}{32}$
15¼pc 1996‡‡		14.21	6.55	107$\frac{11}{32}$	—	109$\frac{5}{8}$	107$\frac{11}{32}$
Exch 13¼pc 1996‡‡		12.53	6.61	105¾	—	107¼	105¼
Treas 6¾pc 2004‡‡		7.42	8.13	91	-⅛	93$\frac{13}{32}$	86¼
Conv 9½pc 2005		8.71	8.14	109$\frac{1}{16}$	-$\frac{3}{16}$	111$\frac{13}{32}$	103⅝
Treas 12½pc 2003-5		9.92	8.18	125$\frac{31}{32}$	-⅛	128$\frac{11}{32}$	119$\frac{13}{32}$
Treas 8½pc 2005‡‡		8.26	8.13	102$\frac{29}{32}$	-$\frac{3}{16}$	105$\frac{13}{32}$	97⅝
7¾pc 2006‡‡		7.97	8.17	97$\frac{7}{32}$	-⅛	99$\frac{13}{32}$	99⅛

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	1995 High	1995 Low
2pc '96	(67.9)	1.46	3.37	210$\frac{7}{8}$	+$\frac{1}{16}$	211	201$\frac{1}{16}$
4⅝pc '98‡‡	(135.6)	2.22	3.14	111$\frac{3}{8}$	+$\frac{1}{16}$	112$\frac{1}{8}$	108$\frac{1}{8}$
2½pc '01	(78.3)	3.02	3.44	175⅝	+$\frac{1}{16}$	176⅞	165$\frac{1}{2}$
2½pc '03	(78.8)	3.17	3.51	171$\frac{1}{2}$	+$\frac{1}{16}$	173$\frac{1}{4}$	161¾
4⅜pc '04‡‡	(135.6)	3.19	3.51	114$\frac{1}{8}$	+$\frac{1}{8}$	115$\frac{1}{2}$	108$\frac{1}{8}$

[illegible]

Other Fixed Interest

[illegible]

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

CURRENCIES AND MONEY

MARKETS REPORT

Currency markets await outcome of G7 meeting

The dollar yesterday shook off weak economic data to rally towards the top end of its recent trading range, *writes Philip Gawith.*

It continued, however, to run into selling pressure above DM1.41 and near Y85, with the finger again being pointed in the direction of Asian central banks. The dollar's rally appeared in part to be the result of rumours that the Swiss National Bank might have cut rates at its council meeting, following a large injection of liquidity into money markets in the morning.

The US currency finished in London at DM1.4106 from DM1.3974, and at Y84.805 from Y84.265.

Activity remained generally subdued as the G7 summit got under way. Traders are reluctant to take aggressive positions ahead of the G7 communique which will be released on Saturday. Business was also dampened by the absence of German markets which were closed for the Corpus Christi holiday.

In the UK traders were trying to make sense of Mr Kenneth Clarke's Mansion House address the previous evening which muddied the waters by talking in terms of two separate inflation targets.

Sterling finished slightly weaker against the dollar, at $1.5955 from $1.6099, and was barely changed against the D-Mark at DM2.2506 from DM2.2496. Political squabbles in the Tory party over Europe continue to cap upside gains.

■ The dollar's performance was quite impressive considering that the market is now having second thoughts about when German rates will fall, while US data is pointing towards a cut.

Mr Tony Norfield, UK treasury economist, said the combination of the industrial production data and Philadelphia Fed survey made a Fed rate cut "very probable" at the FOMC on either July 5 or August 22. He noted that the fall of 0.2 per cent in industrial production, though below expectations, was the third in a row, taking capacity utilisation to 83.7 per cent, the same as in March 1994 just after the Fed started to tighten policy.

The Philadelphia Fed survey was also weak, confirming in Mr Norfield's view, that the "economic and inflation environment will allow a cut in the Fed funds rate."

Although the market is fond of bad-mouthing summits, this is not to say they have no impact. Indeed, even if the G7 ignores currencies, that will still suffice to provide fresh trading direction. Mr Peter Luxton, analyst at MMS in London, says he feels the G7 summit will be "fairly benign" for the dollar, although he still favours the downside.

The importance of the summit for currency markets is noted by Mr John Llewellyn, chief economist, Europe, at Lehman brothers in London. He points out that it is "the last occasion on which President Clinton will be put under heavy international pressure not to impose sanctions (on Japan) before June 28." They are more likely to be imposed if no breakthrough is announced in Halifax.

Currencies were not discussed at a meeting between Mr Warren Christopher, the US secretary of state, and his Japanese counterpart, Mr Yohei Kono.

■ UK interest rate futures lost some ground in the wake of the Mansion House speech. In terms of economic data, a slight increase in underlying retail inflation to 2.7 per cent in May was offset by subdued retail sales figures.

A benign view of Mr Clarke's speech was offered by Mr Nick Parsons, treasury economist at Standard Chartered in London. "I think he deliberately confused the issue and I congratulate him on doing it. He has essentially created room for whatever he wants to do. He is not going to be boxed into any interest rate move," he said.

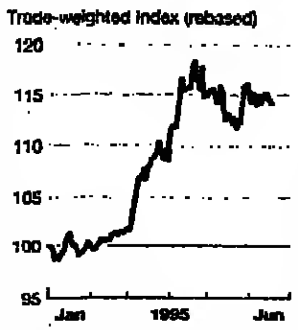
Mr Parsons noted that despite the recent volatility in the short sterling market, the number of open interest contracts remained at a fairly high level. This suggested that much of the volume had come from intra-day traders rather than through long term investors closing positions.

In recent days the December contract has traded higher volumes than the September contract, an indication, says Mr Parsons, that the market accepts there will be no rate change "before the clocks change (in October)".

The Bank of England cleared a £550m shortage in its daily operations, mostly in the form of late assistance.

Yen

Trade-weighted index (rebased)



Source: FT Graphite

■ Pound in New York

Jun 15	Latest	Prev. close
£ spot	1.5960	1.6120
1 mth	1.5955	1.6116
3 mth	1.5939	1.6099
1 yr	1.5767	1.5930

■ OTHER CURRENCIES

Jun 15	£	$
Hungary	196.135 - 196.468	123.000 - 123.100
Iran	4735.00 - 4785.00	3000.00 - 3000.00
Kuwait	0.4766 - 0.4774	0.2983 - 0.2991
Poland	3.7272 - 3.7372	2.3372 - 2.3420
Russia	7545.55 - 7546.26	4728.00 - 4731.00
U.A.E.	5.8575 - 5.8623	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jun 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8258	+0.0076	146 - 369	15.8868	15.8000	15.8027	1.6	15.7554	1.8	-	-	107.1
Belgium	(BFr)	46.2312	+0.0365	944 - 680	46.4260	46.1130	46.1662	1.7	46.0362	1.7	45.4202	1.7	106.8
Denmark	(DKr)	8.7770	+0.0113	714 - 825	8.8011	8.7584	8.7805	-0.5	8.7723	0.2	8.7415	0.4	110.2
Finland	(FM)	6.8974	+0.0064	944 - 003	6.9160	6.8750	-	-	-	-	-	-	87.2
France	(FFr)	7.8954	+0.0023	889 - 018	7.9419	7.8779	7.9033	-1.2	7.9139	-0.8	7.8815	0.2	106.8
Germany	(DM)	2.2506	+0.001	491 - 520	2.2607	2.2442	2.2472	1.8	2.2388	2.1	2.1965	2.4	112.0
Greece	(Dr)	363.216	-0.015	022 - 409	365.287	362.555	-	-	-	-	-	-	66.8
Ireland	(I£)	0.9821	-0.0001	811 - 831	0.9849	0.9806	0.9817	0.5	0.9815	0.2	0.9818	0.0	97.3
Italy	(L)	2632.58	-2.74	016 - 500	2645.69	2623.20	2642.08	-4.3	2659.58	-4.1	2731.08	-3.7	67.3
Luxembourg	(LFr)	46.2312	+0.0365	944 - 680	46.4260	46.1130	46.1662	1.7	46.0362	1.7	45.4262	1.7	109.8
Netherlands	(Fl)	2.5201	+0.0033	185 - 217	2.5304	2.5150	2.518	2.0	2.5123	1.2	2.4598	2.4	109.5
Norway	(NKr)	10.0038	-0.0022	967 - 109	10.0436	9.9848	9.9951	1.0	9.9715	1.3	9.8442	1.6	99.2
Portugal	(Es)	236.612	+0.325	666 - 958	237.517	235.791	235.947	4.4	239.117	-3.9	-	-	95.7
Spain	(Pta)	194.731	-0.093	590 - 872	195.641	194.473	195.231	-3.1	196.306	-3.2	201.331	-3.4	81.2
Sweden	(SKr)	11.6103	-0.0375	995 - 210	11.6825	11.5980	11.6126	-0.2	11.6171	-0.2	11.6367	-0.2	78.1
Switzerland	(SFr)	1.8611	+0.005	598 - 624	1.8697	1.8524	1.8562	3.2	1.8462	3.2	1.7979	3.4	113.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	94.5
Ecu	-	1.2171	+0.0006	164 - 177	1.2226	1.2148	1.2172	0.0	1.2159	0.4	1.2087	0.7	-
SDR†	-	1.02352	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5954	+0.0144	948 - 960	1.6145	1.5937	-	-	-	-	-	-	-
Brazil	(R$)	1.4448	-0.0146	419 - 476	1.4629	1.4412	-	-	-	-	-	-	-
Canada	(C$)	2.1974	-0.0283	963 - 985	2.2278	2.1950	2.1999	-1.4	2.2027	-1.0	2.1935	0.2	82.1
Mexico	(New Peso)	9.9001	-0.1051	731 - 271	9.9708	9.8678	-	-	-	-	-	-	-
USA	($)	1.5955	-0.0144	950 - 960	1.6147	1.5945	1.5951	0.3	1.5933	0.6	1.5758	1.2	88.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1938	-0.0376	924 - 953	2.1963	2.1911	2.1961	-1.2	2.1995	-1.0	2.2088	-0.7	78.7
Hong Kong	(HK$)	12.3429	-0.1101	386 - 471	12.4897	12.3355	12.3389	0.4	12.3295	0.4	12.2836	0.7	-
India	(Rs)	50.0923	+0.453	702 - 144	50.6940	50.0670	-	-	-	-	-	-	-
Israel	(Shk)	4.7537	-0.03	482 - 591	4.8005	4.7482	-	-	-	-	-	-	-
Japan	(Y)	135.306	-0.348	208 - 405	136.080	135.190	134.696	5.4	133.431	5.5	127.566	5.7	169.6
Malaysia	(M$)	3.8968	-0.0263	966 - 006	3.9366	3.8960	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3837	-0.0132	817 - 857	2.3865	2.3816	2.3885	-2.4	2.3976	-2.3	2.4143	-1.3	98.4
Philippines	(Peso)	40.9645	-0.3685	320 - 970	41.0984	40.8263	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9839	-0.0539	817 - 861	6.0556	5.9806	-	-	-	-	-	-	-
Singapore	(S$)	2.2286	-0.0147	271 - 301	2.2501	2.2270	-	-	-	-	-	-	-
South Africa	(R)	5.8583	-0.043	552 - 613	5.9179	5.8548	-	-	-	-	-	-	-
South Korea	(Won)	1215.61	-13.75	507 - 615	1232.98	1215.00	-	-	-	-	-	-	-
Taiwan	(T$)	41.1280	-0.3884	111 - 449	41.6270	41.1062	-	-	-	-	-	-	-
Thailand	(Bt)	39.3451	-0.3216	188 - 733	39.7610	39.3060	-	-	-	-	-	-	-

† Rates for Jun 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	9.9190	+0.0931	151 - 229	9.9250	9.8400	9.907	1.5	9.587	1.3	9.7925	1.2	107.0
Belgium	(BFr)	28.9760	-0.281	620 - 900	28.9900	28.8750	28.941	1.4	28.836	1.2	28.766	0.7	109.5
Denmark	(DKr)	5.5011	-0.056	993 - 028	5.5028	5.4443	5.5049	-0.8	5.5131	-0.9	5.5466	-3.9	109.3
Finland	(FM)	4.3230	+0.0425	225 - 235	4.3265	4.2661	4.3213	0.5	4.319	0.5	4.3175	0.1	86.2
France	(FFr)	4.9485	+0.0455	460 - 510	4.9545	4.9019	4.955	-1.6	4.9675	-1.5	4.9975	-1.0	108.2
Germany	(DM)	1.4106	+0.0132	101 - 110	1.4128	1.3920	1.4088	1.5	1.4051	1.6	1.3918	1.3	111.4
Greece	(Dr)	227.650	+2.02	600 - 700	227.850	224.980	229.65	-10.5	233.4	-10.1	249.15	-9.4	67.6
Ireland	(I£)	1.6246	-0.0144	235 - 257	1.6370	1.6230	1.6252	-0.4	1.627	-0.6	1.6318	-0.4	-
Italy	(L)	1650.00	+13	900 - 100	1651.50	1635.00	1656.5	-4.7	1669.25	-4.7	1729.5	-4.8	66.8
Luxembourg	(LFr)	28.9760	+0.281	620 - 900	28.9900	28.6750	28.941	1.4	28.826	1.3	28.766	0.7	109.5
Netherlands	(Fl)	1.5795	+0.0161	790 - 800	1.5823	1.5622	1.5774	1.6	1.5735	1.5	1.5613	1.2	108.0
Norway	(NKr)	6.2700	+0.0545	675 - 725	6.2775	6.1971	6.2712	-0.2	6.264	0.4	6.2565	0.2	98.0
Portugal	(Es)	148.425	+1.525	380 - 470	148.490	146.680	148.875	-3.6	149.875	-3.9	155.675	-4.9	95.7
Spain	(Pta)	122.050	+1.03	000 - 100	122.240	121.100	122.39	-3.3	123.19	-3.7	127.525	-4.5	80.9
Sweden	(SKr)	7.2769	+0.0416	724 - 813	7.3014	7.1994	7.2927	-2.6	7.3284	-2.8	7.5144	-3.3	77.3
Switzerland	(SFr)	1.1665	+0.0135	660 - 669	1.1653	1.1495	1.1638	2.8	1.1586	2.7	1.1393	2.3	113.0
UK	(£)	1.5955	-0.0144	950 - 960	1.6147	1.5945	1.5951	0.3	1.5933	0.5	1.5758	1.2	84.1
Ecu	-	1.3110	-0.0124	107 - 112	1.3240	1.3105	1.3108	0.1	1.3107	0.1	1.3067	0.3	-
SDR†	-	0.64010	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9993	-	-	-	-	-	-	-
Brazil	(R$)	0.9055	-0.001	040 - 070	0.9070	0.9030	-	-	-	-	-	-	-
Canada	(C$)	1.3773	-0.0053	770 - 775	1.3813	1.3745	1.3788	-1.4	1.382	-1.4	1.3938	-1.2	80.4
Mexico	(New Peso)	6.2050	-0.01	900 - 200	6.2200	6.1900	6.2073	-0.4	6.2104	-0.4	6.2153	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	89.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3749	-0.0111	746 - 755	1.3762	1.3583	1.3765	-1.4	1.3804	-1.6	1.4018	-1.9	79.0
Hong Kong	(HK$)	7.7361	-0.0006	358 - 363	7.7370	7.7350	7.7344	0.3	7.7339	0.1	7.7496	-0.2	-
India	(Rs)	31.3960	+0.0015	920 - 000	31.4050	31.3850	31.476	-3.1	31.721	-4.1	-	-	-
Israel	(Shk)	2.9794	+0.0079	769 - 819	2.9825	2.9639	-	-	-	-	-	-	-
Japan	(Y)	84.8050	+0.54	700 - 400	84.9600	83.9000	84.45	5.0	83.74	5.0	80.835	4.7	170.7
Malaysia	(M$)	2.4435	+0.0055	430 - 440	2.4451	2.4375	2.4415	1.0	2.439	0.7	2.4335	0.4	-
New Zealand	(NZ$)	1.4939	+0.0051	932 - 948	1.4958	1.4787	1.4973	-2.7	1.5041	-2.7	1.5233	-2.0	-
Philippines	(Peso)	25.6750	-	000 - 500	25.7500	25.6000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7502	3.7515	-0.3	3.7536	-0.3	3.7555	-0.4	-
Singapore	(S$)	1.3968	+0.0033	963 - 973	1.3988	1.3905	1.3918	4.5	1.3833	3.9	1.2568	2.9	-
South Africa	(R)	3.6718	+0.006	710 - 725	3.6760	3.6605	3.6928	-6.9	3.7438	-7.6	3.9998	-8.9	-
South Korea	(Won)	761.900	-1.75	800 - 000	763.600	761.700	764.9	-4.7	768.4	-3.4	786.9	-3.3	-
Taiwan	(T$)	25.7775	-0.0115	750 - 800	25.7840	25.7590	25.7975	-0.9	25.8375	-0.9	-	-	-
Thailand	(Bt)	24.6600	-0.02	500 - 700	24.8700	24.6200	24.681	-1.0	24.7075	-0.8	24.795	-0.5	-

† SDR rate per $ for Jun 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 14. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

June 15	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4½	4⅝	4⅝	4¾	4⅞	7.40	4.00	-
week ago	4½	4⅝	4⅝	4¾	4⅞	7.40	4.00	-
France	7⅛	7⅛	7⅛	6⅞	6¾	5.00	-	8.00
week ago	7⅜	7⅛	7⅛	6¾	6½	5.00	-	8.00
Germany	4½	4½	4⅝	4⅝	4½	6.00	4.00	4.50
week ago	4½	4½	4⅝	4⅝	4½	6.00	4.00	4.51
Ireland	6⅛	6⅛	6⅜	6⅝	6⅞	-	-	6.25
week ago	6¼	6⅛	6⅜	6⅝	6⅞	-	-	6.25
Italy	10½	10⅞	10⅞	11	11¼	-	7.50	10.53
week ago	10⅜	10⅝	10⅞	10¾	11⅛	-	7.50	10.40
Netherlands	4⅛	4⅜	4⅜	4¼	4⅜	-	5.25	-
week ago	4¼	4⅜	4⅜	4⅜	4⅜	-	5.25	-
Switzerland	2½	3	3	3⅛	3⅜	6.625	3.00	-
week ago	3	3	3¼	3⅜	3⅛	6.625	3.00	-
US	6	6	5⅞	5⅞	5¾	-	5.25	-
week ago	6	6	6	5⅞	5⅞	-	5.25	-
Japan	1⅛	1⅛	1¼	1⅛	1⅛	-	1.00	-
week ago	1⅛	1⅛	1¼	1⅛	1⅛	-	1.00	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6	5⅞	5⅞	-	-	-
week ago	-	6¼	6¼	6	5⅞	-	-	-
US Dollar CDs	-	5.78	5.72	5.64	5.62	-	-	-
week ago	-	5.78	5.85	5.78	5.80	-	-	-
ECU Linked Ds	-	6⅛	6¼	6⅜	6⅜	-	-	-
week ago	-	6⅛	6⅛	6⅜	6½	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3¾	3¾	-	-	-
week ago	-	3⅞	3⅞	3¾	3¾	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4 11/16 - 4 9/16	4¾ - 4⅝	5 - 4⅞
Danish Krone	7 - 6½	6¾ - 6½	6 11/16 - 6 9/16	6¾ - 6½	6¾ - 6½	6¾ - 6½
D-Mark	4⅝ - 4½	4 9/16 - 4 7/16	4½ - 4⅜	4½ - 4⅜	4 9/16 - 4 7/16	4½ - 4⅜
Dutch Guilder	4 5/16 - 4 3/16	4 5/16 - 4 3/16	4 5/16 - 4⅛	4¼ - 4 3/16	4¼ - 4 3/16	4 7/16 - 4⅜
French Franc	7½ - 7⅜	7½ - 7⅜	7 7/16 - 7 5/16	7 5/16 - 7 3/16	7 - 6⅞	6 11/16 - 6 9/16
Portuguese Esc.	9¼ - 8⅞	9¼ - 9	9½ - 9⅜	10⅛ - 9 13/16	10⅝ - 10⅜	11 - 10⅝
Spanish Peseta	9½ - 9⅜	9½ - 9⅜	9⅝ - 9½	9¾ - 9⅝	9 15/16 - 9 13/16	10½ - 10⅜
Sterling	6⅞ - 5⅝	6⅝ - 6⅜	6⅝ - 6½	6⅝ - 6½	6 13/16 - 6¾	7⅛ - 7 1/16
Swiss Franc	2¾ - 2½	3 - 2⅞	3 1/16 - 2 15/16	3⅛ - 3	3 5/16 - 3 3/16	3⅝ - 3½
Can. Dollar	7¼ - 7⅛	7⅛ - 6 15/16	7 1/16 - 6 15/16	6⅞ - 6¾	6¾ - 6⅝	6¾ - 6⅝
US Dollar	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 - 5⅞	5⅞ - 5¾	5 13/16 - 5 11/16
Italian Lira	10½ - 10⅜	10½ - 10⅜	10 11/16 - 10 9/16	10⅞ - 10¾	11¼ - 10 15/16	11¾ - 11⅝
Yen	1¼ - 1⅛	1¼ - 1⅛	1¼ - 1⅛	1¼ - 1⅛	1¼ - 1⅛	1⅜ - 1¼
Asian $Sing	1 - ⅞	⅞ - ¾	1 - ⅞	1¼ - 1⅛	1⅜ - 1¼	2⅛ - 2

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.72	92.72	+0.06	92.78	92.69	13,776	25,200
Sep	93.58	93.63	+0.08	93.66	93.58	20,896	58,250
Dec	93.87	93.90	+0.05	93.93	93.84	7,535	35,275

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.53	95.52	-0.01	95.55	95.52	11688	97370
Sep	95.68	95.66	+0.01	95.69	95.65	20042	147047
Dec	95.51	95.52	+0.02	95.56	95.50	18509	143315
Mar	95.29	95.33	+0.02	95.39	95.29	16427	115542

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	89.20	89.15	-0.02	89.23	89.14	4387	20080
Sep	88.98	88.99	-	89.09	88.94	7251	36812
Dec	89.01	88.99	+0.01	89.07	88.97	1560	22821
Mar	89.04	89.01	+0.03	89.07	88.97	505	11099

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.85	96.84	-0.02	96.90	96.80	2707	13250
Sep	96.78	96.79	+0.02	96.87	96.77	4636	19579
Dec	96.65	96.63	+0.03	96.71	96.62	2213	8624
Mar	96.49	96.43	+0.03	96.50	96.42	253	3903

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.86	93.81	-0.01	93.82	93.80	396	4785
Sep	93.92	93.93	-0.05	93.94	93.90	453	6608
Dec	93.92	93.91	+0.05	93.92	93.90	185	3773
Mar	93.80	93.78	+0.02	93.82	93.78	95	2087

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
8900	0.16	0.51	0.71	0.01	0.52	0.72
8925	0.04	0.36	0.58	0.14	0.62	0.84
8950	0	0.26	0.47	0.35	0.77	0.98

Est. vol. total, Calls 60 Puts 60. Previous day's open int., Calls 9531 Puts 7135

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.99	17.06	4.869	2.124	5695	5.451	21.63	512.2	421.2	25.11	4.026	2.163	4.762	3.452	292.7	2.632
Denmark	(DKr)	52.67	10	8.995	2.565	1.119	3000	2.871	11.39	269.8	221.8	13.23	2.120	1.139	2.503	1.818	154.2	1.387
France	(FFr)	58.56	11.12	10	2.851	1.244	3335	3.192	12.67	299.9	246.6	14.71	2.357	1.267	2.783	2.022	171.4	1.541
Germany	(DM)	20.54	3.899	3.507	1	0.436	1170	1.120	4.442	105.2	86.49	5.158	0.827	0.444	0.976	0.709	60.11	0.541
Ireland	(I£)	47.08	8.938	8.040	2.292	1	2681	2.566	10.18	241.1	198.3	11.82	1.895	1.018	2.237	1.625	137.8	1.239
Italy	(L)	1.756	0.333	0.300	0.085	0.037	100.	0.096	0.380	8.994	7.395	0.441	0.071	0.038	0.083	0.061	5.139	0.046
Netherlands	(Fl)	18.35	3.483	3.133	0.893	0.390	1045	1	3.968	93.97	77.26	4.607	0.738	0.397	0.872	0.633	53.69	0.483
Norway	(NKr)	46.23	8.777	7.895	2.251	0.982	2633	2.520	10	236.8	194.7	11.61	1.861	1.000	2.197	1.596	135.3	1.217
Portugal	(Es)	19.52	3.707	3.334	0.951	0.415	1112	1.064	4.223	100.	82.22	4.903	0.786	0.422	0.928	0.674	57.14	0.514
Spain	(Pta)	23.74	4.508	4.055	1.156	0.504	1352	1.294	5.136	121.6	100.	5.963	0.956	0.514	1.128	0.820	69.49	0.625
Sweden	(SKr)	39.82	7.560	6.800	1.939	0.846	2268	2.171	8.613	204.0	167.7	10	1.603	0.861	1.892	1.375	116.5	1.048
Switzerland	(SFr)	24.84	4.718	4.242	1.210	0.528	1415	1.354	5.373	127.2	104.6	6.239	1	0.537	1.181	0.858	72.70	0.654
UK	(£)	46.23	8.777	7.895	2.251	0.982	2633	2.520	10.00	236.8	194.7	11.61	1.861	1	2.197	1.596	135.3	1.217
Canada	(C$)	21.04	3.995	3.594	1.025	0.447	1198	1.147	4.552	107.8	88.62	5.284	0.847	0.455	1	0.726	61.58	0.554
US	($)	28.97	5.499	4.947	1.410	0.615	1650	1.579	6.266	148.4	122.0	7.274	1.166	0.627	1.377	1	84.77	0.763
Japan	(Y)	34.17	6.487	5.835	1.664	0.726	1946	1.863	7.391	175.0	143.9	8.581	1.375	0.739	1.624	1.180	100.	0.899
Ecu		37.99	7.212	6.487	1.850	0.807	2164	2.071	8.217	194.6	160.0	9.540	1.529	0.822	1.805	1.311	111.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7180	0.7105	-0.0034	0.7186	0.7083	8,503	45,881
Sep	0.7161	0.7131	-0.0035	0.7204	0.7109	28,282	28,325
Dec	-	0.7150	-	-	0.7133	57	1,654

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1895	1.1789	-0.0055	1.1905	1.1772	4,327	39,759
Sep	1.1989	1.1938	-0.0073	1.2060	1.1913	16,174	27,721
Dec	1.2060	1.2075	-0.0082	1.2077	1.2060	712	1,858

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8625	0.8592	-0.0069	0.8625	0.8555	1,921	16,404
Sep	0.8717	0.8648	-0.0073	0.8750	0.8611	13,424	14,430
Dec	0.8690	0.8690	-0.0082	0.8690	0.8675	22	810

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6074	1.5970	-0.0156	1.6074	1.5960	2,797	19,992
Sep	1.6112	1.5954	-0.0144	1.6122	1.5940	17,852	17,117
Dec	-	1.5900	-	-	1.5900	23	177

UK INTEREST RATES

LONDON MONEY RATES

Jun 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6	6 7/16 - 6 5/16	6⅜ - 6¼	6⅝ - 6½	6 13/16 - 6 11/16	7 1/16 - 7 1/16
Sterling CDs	-	-	6 11/32 - 6 9/32	6½ - 6 7/16	6 21/32 - 6 19/32	6 15/16 - 6⅞
Treasury Bills	-	-	6¼ - 6⅛	6 5/16 - 6 3/16	-	-
Bank Bills	-	-	6¼ - 6 3/16	6 7/16 - 6 5/16	6½ - 6 7/16	-
Local authority deps.	6 1/16 - 5 13/16	6 1/16 - 5 15/16	6 5/16 - 6 3/16	6 9/16 - 6 7/16	6 11/16 - 6 9/16	6 15/16 - 6 13/16
Discount Market deps	7¼ - 6¾	6⅜ - 6¼	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¼	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.2735pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1995. Agreed rate for period June 26, 1995 to July 25, 1995, Schemes II & III 8.03pc. Reference rate for period Apr 29, 1995 to May 31, 1995, Schemes IV & V 6.788pc. Finance House Base Rate 7pc from June 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.34	93.34	-0.01	93.36	93.34	7117	63187
Sep	93.06	93.04	-0.03	93.10	93.03	18418	96253
Dec	92.84	92.80	-0.06	92.90	92.77	19104	78878
Mar	92.94	92.56	-0.08	92.69	92.57	6800	49758

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.11	0.14	0.16	0.02	0.35	0.63
9350	0	0.07	0.11	0.16	0.53	0.61
9375	0	0.03	0.06	0.41	0.74	1.01

Est. vol. total, Calls 1710 Puts 9630. Previous day's open int., Calls 222091 Puts 227921

EMS EUROPEAN CURRENCY UNIT RATES

Jun 15	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09009	+0.00208	-2.88	5.68	-
Belgium	39.3960	38.3356	+0.0063	-2.69	5.47	20
Austria	13.4383	13.1311	+0.0105	-2.29	5.04	15
Germany	1.91007	1.86727	+0.00143	-2.24	4.99	-
Spain	162.493	161.715	+0.231	-0.48	3.13	3
Denmark	7.28580	7.28029	+0.00818	-0.08	2.71	1
Portugal	195.792	196.397	+0.172	0.31	2.32	-2
France	6.40608	6.55232	-0.00201	2.28	0.34	-18
Ireland	0.792214	0.813093	+0.002029	2.64	0.00	-16
NON ERM MEMBERS						
Greece	292.867	301.439	+0.143	2.93	-0.28	-
Italy	2106.15	2181.90	-2.00	3.60	-0.93	-
UK	0.786652	0.827983	-0.002534	5.25	-2.49	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.525	7.11	-	-	-	-	0.30
1.550	4.61	-	-	-	-	-
1.575	2.17	2.98	3.41	-	0.71	1.40
1.600	0.26	1.52	2.09	0.52	1.71	2.49
1.625	-	0.63	1.18	2.58	3.44	3.98
1.650	-	0.18	-	0.02	5.52	-

Previous day's vol., Calls 4,816 Puts 3,603. Prev. day's open int., Calls 301,931 Puts 398,795

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.01	94.01	-0.01	94.03	94.00	45,472	284,326
Sep	94.38	94.37	-0.02	94.42	94.33	79,464	359,337
Dec	94.43	94.42	-0.02	94.49	94.39	131,944	316,143

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.56	94.55	-0.03	94.58	94.55	1,067	6,050
Sep	94.81	94.75	-0.04	94.84	94.76	464	10,678
Dec	94.89	94.86	-0.05	94.94	94.86	353	2,332

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9550	0.04	0.21	0.25	0.28	0.02	0.05	0.09	0.10
9575	0.01	0.08	0.12	0.16	0.24	0.15	0.19	0.21
9600	0	0.02	0.04	0.05	0.48	0.36	0.38	0.39

Est. vol. total, Calls 2663 Puts 4617. Previous day's open int., Calls 286024 Puts 238540

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9675	0.10	0.20	0.21	0.01	0.16	0.33
9700	0	0.09	0.12	0.16	0.30	0.49
9725	0	0.03	0.06	0.41	0.49	0.68

Est. vol. total, Calls 91 Puts 0. Previous day's open int., Calls 1214 Puts 1035

BASE LENDING RATES

Adam & Company ... 6.75	Duncan Lawrie ... 6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution. 10
Allied Trust Bank ... 6.75	Exeter Bank Limited ... 7.75	Royal Bk of Scotland ... 6.75
AIB Bank ... 6.75	Financial & Gen Bank ... 7.50	Singer & Friedlander ... 6.75
●Henry Ansbacher ... 6.75	●Robert Fleming & Co ... 6.75	●Smith & Williamson Secs. 6.75
Bank of Baroda ... 6.75	Girobank ... 6.75	TSB ... 6.75
Banco Bilbao Vizcaya ... 6.75	●Guinness Mahon ... 6.75	United Bank of Kuwait ... 6.75
Bank of Cyprus ... 6.75	Habib Bank AG Zurich ... 6.75	Unity Trust Bank Plc ... 6.75
Bank of Ireland ... 6.75	●Hambros Bank ... 6.75	Western Trust ... 6.75
Bank of India ... 6.75	Heritable & Gen Inv Bk ... 6.75	Whiteaway Laidlaw ... 6.75
Bank of Scotland ... 6.75	●Hill Samuel ... 6.75	Yorkshire Bank ... 6.75
Barclays Bank ... 6.75	C. Hoare & Co ... 6.75	
Brit Bk of Mid East ... 6.75	Hongkong & Shanghai ... 6.75	● Members of London Investment Banking Association
●Brown Shipley & Co Ltd ... 6.75	Julian Hodge Bank ... 6.75	* In administration
Citibank NA ... 6.75	●Leopold Joseph & Sons ... 6.75	
Clydesdale Bank ... 6.75	Lloyds Bank ... 6.75	
The Co-operative Bank ... 6.75	Meghraj Bank Ltd ... 6.75	
Coutts & Co ... 6.75	Midland Bank ... 6.75	
Credit Lyonnais ... 6.75	●Mount Banking ... 6.75	
Cyprus Popular Bank ... 6.75	NatWestminster ... 6.75	
	●Rea Brothers ... 6.75	

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf.		50½	.....	98	50¼	6.31	19.8	–
9¾pc Non-Cum Prf		4¼	.....	118½	3	1.90	–	–
Cater Allen	‡†	522	.....	524	416	170.5	6.8	10.8
Close Bros	‡†	278	.....	280	210	284.7	3.6	12.6
Gerrard & Nat	‡†□	480	.....	490	355	224.0	6.5	13.3
Hambros	qv□	121	+6	253	182	337.3	5.0	20.0
7½pc Cv Pf		97	.....	112	94	125.0	8.7	–
Joseph (L)	‡†	363	.....	408	363	19.2	8.1	10.8
King & Shaxson	‡	119	.....	124	85	20.7	9.5	11.8
Kleinwort Benson	‡v□	719	-5	728	529	989.2	3.7	12.9
Rea Brothers	‡v	61	.....	87	51	24.8	2.5	18.7
Schroders	‡inc□	1138	+24	*1145	906¾	1,718	1.5	16.2
N/V	‡v	913	+8	*976¾	523¼	401.7	1.9	13.0
Singer & Fried	‡v□	92	.....	96	61	178.8	4.9	9.5
Union	‡v□	95	.....	185	78	26.1	3.6	–
Warburg (SG)	‡qv□	706xd	+15	883	655	1,992	3.6	–
Wintrust	‡qv	250	.....	253	200	21.2	0.9	φ

BANKS, RETAIL

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£24⅛	+¼	£26⅜	£21⅛	7,305	5.3	φ
ANZ A$	†	213	-2	247	190	2,957	6.2	8.7
Abbey National	v□	479	+5½	883	413	6,289	4.6	9.7
Allied Irish I£	‡□	383	+2	305	250	2,019	4.6	8.6
Anglo Irish I£	□	55xd	.....	85	48	189.3	0.9	11.1
Asahi Y	□	732	+6	857¼	632¼	16,997	0.7	–
Banco Bil Viz Pta	□	£18⅛	-⅛	£16⅞	£14⅜	4,198	4.5	8.6
Banco Sant Pta		£23⅝	.....	£24⅝	£22⅛	3,773	6.7	16.1
Bk Ireland I£	v□	355xd	+2	357	298	1,687	4.5	φ
Bank Scotland	‡v□	224xd	+2½	232½	121½	2,625	3.2	9.9
9¼pc Pf		113¼	.....	120	111¼	113.2	10.2	–
9¾pc Pf		120	.....	125¾	112¾	120.0	10.2	–
Barclays	‡v□	684	+4½	717	557½	11,210	3.8	10.6
Dai Ichi Kan Y	□	£11⅜	+⅛	£13¼	£9⅝	37,244	0.5	–
Deutsche DM	s□	£31½	-⅜	*£32⅞	£28½	14,789	2.4	–
Espirito Santo	□	67	-3	£8⅞	£6¾	149.5	11.7	φ
Fuji Bank Y	□	1411½	+40½	1611	1192¼	40,896	0.4	–
HSBC HK	v□	618	-3	854	578	14,417	4.1	10.8
HSBC (75p Shs)	v□	618	-2½	864½	588	6,995	4.1	10.6
Irish Permanent	□	318	.....	333	228	242.1	2.4	7.4
Lloyds	v□	647	+8	688	530	8,417	5.0	10.9
Mitsubishi Y	□	£14⅝	+⅛	£16⅝	£13⅛	42,579	0.4	φ
Mits Tst & Bk Y	□	997¼	+17¼	1179½	726¼	11,955	8.6	13.8
Mitsui Tst & Bk Y	□	635½	+12¾	743¼	512	7,615	1.0	18.4
Nat Aust A$	†	488	-29	692	479	8,879	7.2	8.2
NatWest	v□	582	+9	575	454	9,807	4.9	9.5
Ottomane FFr		£28½	.....	£30	£21½	142.5	5.6	4.0
Ryl Bk Scotland	‡†□	434xd	+10	436	373½	3,498	4.1	10.4
Sakura Y	□	£8⅜	+⅛	£8⅞	£6⅜	23,011	0.8	36.8
Sanwa Y	□	£13⅜	+⅛	£14⅜	£10⅜	38,162	0.5	φ
Standard Chartd	v□	342	+3	380	246	3,303	2.8	10.5
7 3/8pc Prf		89	+¼	98¼	84¼	89.0	10.4	–
Sumitomo Y	□	£12½	+⅛	£14⅛	£10¼	39,229	0.3	–
Sumitomo Tst Y	□	872	+9½	1042	688	10,850	0.7	73.1
TSB	□	253	+3½	265	217	3,873	4.5	10.8
Tokai Y	□	£7½	+⅛	£9⅜	£6½	15,236	0.8	φ
Toyo Tst & Bk Y	□	598¾	+1½	689½	492¾	4,705	0.8	φ
Westpac A$		223¼	+5	257½	211	4,074	2.4	φ
Yasuda Tst Bk Y	□	462	+1¼	580¼	398¼	5,096	1.1	38.8

BREWERIES

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs		175	-3	182	143	49.3	–	φ
Bass		588xd	+8	597	487	5,158	4.6	14.2
Boddington		282	.....	284	239	342.9	6.5	14.5
Burtonwood		145	+2	177	137	29.7	4.5	12.8
Eldridge Pope A		168	-2	170	137	34.8	3.2	20.2
Fosters A$		53	+1	81	51	1,708	5.2	13.8
Fuller STA		380	-3	393	335	79.6	2.5	18.1
Gibbs Mew		480	.....	460	393	59.8	2.6	17.0
Greenalls		486xd	+1	487	402	1,017	3.5	14.1
Greene King		537	+3	537	468	227.7	3.1	14.0
Grosvenor Inns		187	.....	188	140	24.9	3.3	27.8
Holt (J)		3200xd	+2	3425	3145	89.2	2.1	17.4
Kirin Y		702½	+35¼	770½	640½	7,393	1.1	22.8
[illegible]								

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
BAT Inds.	♣v□	500xd	+6	514	405	15,426	5.5	12.6
17¼pc Ln '03/08		£121¼	-¼	£124¼	£115⅝	591.1	10.1	-
Rothmans Intl Uts.	♦†□	618	—	620	436	1,230	2.8	30.0

TRANSPORT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Air London	♣	73xd	+3	73	61	6.50	6.0	13.9
All Nippon Air	□	676¼	+9	769½	625¼	9,755	0.3	ɸ
Applied Distrn	‡♣v□	230	—	200	150	60.6	2.5	20.8
Assoc Br Ports	♣♦v□	277	—	309	252	1,053	2.5	17.8
BAA	♣♣v□	498xd	+8	505	414	4,934	2.6	17.6
Badgerline	♣♣q□	146	-1	159	136	165.8	3.9	14.8
Bergesen NKr	□	213½	+¼	£15⅜	£12⅜	537.4	0.7	58.7
Berkeley Business	□	39	—	100	39	16.2	-	-
British Airways	♣♣v□	431	+9	438½	346	4,024	4.6	13.0
Cap 9¾pc Cv		187½	+4½	192	163	600.4	8.2	-
Cathay Pac HK$	♥□	92¼	+1½	104¼	81¼	2,657	3.7	ɸ
Central Trans Rent	□	46	+1	61	32	60.9	-	-
Carlsson (H)	♣v	109xd	—	135	93	23.7	2.4	17.3
Clydeport	♣Lv□	184	-1	163	128	75.9	2.4	16.3

[illegible]

TRANSPORT - Cont.

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Trafficmaster	v□	158	—	177	148	34.6	-	-
Transport Dev	♣♣□	235	-3	261	194	347.1	5.1	15.7
Upland Ent	♣v	93	-10	128	91	22.1	5.2	ɸ
United Carriers	v□	112	—	113	65	38.0	5.5	21.2
Vard NKr		115	-5	*140¼	68¼	37.2	-	-
Wah Kwong HK$		111¼	+1	138¼	119¼	141.5	4.0	ɸ

WATER

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglian	♣♣qv□	524xd	+1	550	443	1,589	6.2	8.0
Bristol Water	♣v	1140	+10	1140	1030	78.8	4.1	ɸ
Chester A	†	540	-3	560	460	28.1	3.4	16.8
B N/V	†	525	—	545	445	12.8	3.5	18.1
Chester	†	170	—	200	165	21.4	3.9	17.5
Dee Valley	v	380	-10	398	340	35.3	3.0	ɸ
East Surrey	♣†	483	-5	475	383	58.8	3.5	16.1
Hartlepool	v	220xd	-3	229	190	16.1	3.7	ɸ
Mid Kent	♣v	380xd	—	382	295	61.1	4.4	ɸ
North West	♣♣qv□	571xd	+6	618	493	2,141	4.8	7.9
Northumbrian	♣♣qv□	975	+30	976	675	676.6	3.7	8.4

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£29	2,184	2.4	17.6
Barlow	♣	865	—	865	£4.2	1,307	1.5	24.4
Gold Flds Prop R		146	+2	152	118	14.9	7.0	6.8
NK Props.		90	—	95	85	3.82	12.7	-
SASOL	♥	578	-35	648	435	3,384	2.3	-
SA Brews		£17⅞xd	-¼	£19⅛	£12⅞	4,939	1.9	ɸ
Tiger Oats		950	—	950	700	1,428	1.5	23.4
Tongaat-Hulett	†‡	688	-37	768	638	627.9	2.0	21.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. 0 Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion.

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FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 Jersey: 01534 71696
Private Clients 0800 414161 00 852 25040420
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Selling Price	+or-	Yield Gr's
A$ Accum	A$17.644		
A$ Dist	A$15.139		
ASch Accum		+0.02	
BFr Accum		+0.05	
DKr Accum	DKr109.41	+0.01	
DKr Dist	DKr107.81		
DM Dist			40
HK$ Accum	HK$113.47	+0.08	6.00
HK$ Dist	HK$102.08		6.70
Pta Accum	Pta2477.4	+0.6	6.69
Pta Dist	Pta1848.9		8.40
£ Accum	£12.272		6.30
£ Dist	£10.185		5.20

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

	Selling Price	Buying Price	+or-	Yield Gross
Tiger	£10.590	11.272	—	—

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

Bachmann Global Investment Fund Ltd

For Bellmont see Other Offshore Funds

CIBC Fund Managers (Guernsey) Ltd

Clariden Investment Management (Guernsey) Ltd

	Selling Price	Buying Price	+or-	Yield Gross
Clariden India Fund		$91.04	—	—

Commercial Union Captives Inv Mngt

	Selling Price	Buying Price	+or-	Yield Gross
CUCIM Trust		£1.0000	—	—

Dantrust Management (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

Guernsey Capital Management Limited

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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Credis Investment Funds - Contd.

Morgan Stanley Sicav

Allied Dunbar International Assce Ltd (z)

CMI Insurance Co Ltd

Royal Skandia Life Assurance Ltd - Contd.

The China Fund

Global Asset Management - Contd.

E D & F Man Investment Products - Contd.

Rosenwald, Rodhi & Co Ltd

Murray Universal, Sicav

NICAM Asia Pacific Umbrella Fund

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Pacific Basin Growth Fund

Pan-Holding SA

CMI Ins Co Ltd/Clerical Med Gen Life Assce

LUXEMBOURG

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Bid move and buy programmes boost equities

By Steve Thompson, UK Stock Market Editor

The appearance of the long expected bid move for Kleinwort Benson, the UK merchant bank, coupled with the absence of any really worrying economic news on either side of the Atlantic, helped to drive UK equities sharply higher yesterday.

Adding to the upward momentum in London were at least two trading programmes, one of which was said to have been exceptionally heavy and weighted two-to-one on the buy side. Smith New Court and S.G.Warburg were both said to have been heavily involved in the programme trading activity in the market.

The market was also being affected by heavy activity in the futures and options markets; this morning sees the simultaneous expiry of the June contract for the Footsie future and index options. The expirations take place between 10.10am and 10.30am and should be accompanied by keen market activity, as competing houses jostle for position.

The FT-SE 100 Index closed 30.6 higher at 3,370.4, just 10.4 short of its 1995 high set earlier this month. The FT-SE Mid 250 Index failed to match the performance of the FT-SE 100, ending 8.2 firmer at 3,662.1.

The 250 index was burdened by poor performances from a number of retailing stocks, hit by poor results from Allders, as well as widespread weakness in many of the housebuilders and regional electricity stocks.

By contrast the underperformers in the 100 index, Sears, the retailing group, and Southern and Eastern Electricity, were only marginally easier on the session.

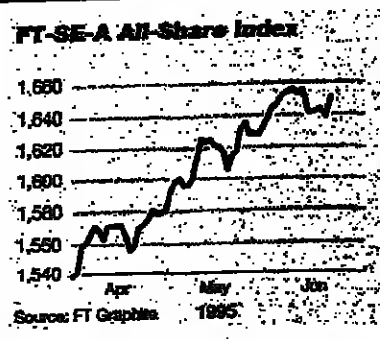
Confirmation that Kleinwort Benson and Dresdner Bank were involved in bid talks triggered an early frisson of excitement in the market. But the realisation that any bid would come in around Kleinwort's closing price on Wednesday – 724p – and not at a substantial premium, plus initial disappointment with May's inflation numbers, saw the market lose its early impetus and drift back to negative territory. The market took some comfort from the smaller than expected increase in May retail sales.

The weakness proved shortlived, however, with the programme trade activity and a flurry of overseas buying interest – much of it said to have emanated from the US – driving the Footsie up 32.2 to 3,372 at one point.

Wall Street's strong rally overnight, which saw the Dow claw back an early 20-point decline and finish six points higher, played a part in the market's initial gain but there was little help from the US market when it opened yesterday.

Vodafone was the target of renewed and heavy US buying, with the shares climbing to another all-time high. A busy utilities area saw Scottish Hydro-Electric slip back after the outcome of the MMC report, but hopes that the probable bid from from Lyonnaise des Eaux after expected clearance by the MMC later this summer could be worth well in excess of £10 a share saw Northumbrian surge ahead. A late whisper was that a predator may be sizing up Legal & General; Allianz, the German group, was one name being mentioned.

FT-SE-A All-Share Index



Equity shares traded

Indices and ratios

FT-SE 100	3370.4	+30.6	FT Ordinary index	2533.8	+28.3
FT-SE Mid 250	3662.1	+8.2	FT-SE-A Non Fins p/e	16.77	(16.68)
FT-SE-A 350	1671.0	+12.6	FT-SE100 Fut. Jun	3370.0	+33.0
FT-SE-A All-Share	1650.69	+11.52	10 yr Gilt yield	8.13	(8.02)
FT-SE-A All-Share yield	3.95	(3.97)	Long gilt/equity yld ratio:	2.08	(2.07)

Best performing sectors

1 Telecommunications +1.4
2 Media +1.4
3 Property +1.4
4 Transport +1.4
5 Pharmaceuticals +1.3

Worst performing sectors

1 Electricity -0.6
2 Chemicals -0.4
3 Building & Construct -0.3
4 Textiles & Apparel -0.3
5 FT-SE-A Fledgling exIT -0.1

Salomon buy note lifts BP

Oil major British Petroleum was one of the most heavily traded stocks in London yesterday, as a wave of US buying sent the shares up 8 to 451¼p on turnover of 14m.

The principal impetus came from a buy note issued by Salomon Brothers yesterday. The house feels that the shares are on an unwarranted 15 per cent discount to comparable companies and would be more fairly valued at around 510p.

Analyst Mr Gordon Gray said the company's recovery was complete and there was another "leg of upside" in the share price. BP shares have tumbled 6 percentage points relative to the market in the past month, while Shell Transport has remained stable.

Dealers said there might have been switching from Shell into BP but there was also selling of Shell on the back of its environmental problems with the disposal of its North Sea platform, the Brent Spar.

There has been a boycott of Shell service stations in Germany in protest at the planned sinking of the platform off the coast of Scotland. And Chancellor Helmut Kohl has threatened to raise the issue at the current Group of Seven summit. Shell Transpoart relinquished 4 at 757p with 12m shares traded.

P&O put on steam, partly making amends for recent underperformance and partly reflecting something of a sea change in sentiment building up around the group's ferries business. The shares forged ahead 15 to 618p.

The ferries side turned in operating profits of £114m for 1994, and most analysts had been looking for a big fall this year as competition took its toll of sea-bound volume. But the news that Eurotunnel has only now received a licence to carry coaches, which book ahead, and will thus miss a large part of the summer trade, looks to be leading to something of a rethink among City transport teams.

UBS, which had pencilled in £65m of operating profits from P&O's ferry operations this year, said that it may well upgrade after the publication of the group's half-time results in August.

The bid for Kleinwort Benson, the UK's largest remaining independent merchant bank, by Dresdner Bank was forced into the open by the market yesterday. But the price offered by the German bank was disappointing and Kleinwort shares drifted.

It was announced that Dresdner was prepared to pay "around its [Kleinwort's] current market price". The market had expected 850p a share and Kleinwort slipped 5 to 719p.

The focus of attention shifted subsequently to other takeover candidates within the merchant banking and securities house arena. The most obvious candidate was Schroders, the only merchant bank in the Footsie. Schroders has been seen as a prime takeover target for some time and the shares advanced 24 to 1138p.

Elsewhere, there have been rumours about Smith New Court, the UK's leading marketmaker. Yesterday, Smith published full-year profits of £31.2m, compared with £95.2m last time, but the shares moved forward 21 to 438p.

Housebuilders stood apart from the general nptrend, trudging steadily lower as worries about a round of possible earnings downgrades ahead of the interim results season gathered momentum.

The annual round of mid-year company visits by analysts gets under way later this month and, in the wake of the financial rectitude emanating from Wednesday evening's *Mansion House speech*, the feeling among City building teams is that the news could be worse than so far anticipated.

George Wimpey and Barratt slipped 3 apiece to 117p and 184p respectively.

Northumbrian Water rose strongly, the shares moving up 30 to 975p as the company visited a number of Scottish institutions and was said to have indicated that bid terms from Lyonnaise des Eaux would have to start at £10-plus.

It was a mixed day for the Scottish generators. Scottish Hydro-Electric surrendered 6½ to 336¼ but Scottish Power moved ahead 6 to 343p as dealers switched from the former and into the latter, following publication of a Monopolies and Mergers Commission (MMC) report into prices.

One market watcher said: "Scottish Hydro has gained little from requesting the MMC investigation and in fact the report was better for Scottish Power than for Hydro."

Regional electricity stocks retreated as dealers studied the report for implications for their review on prices for consumers, due to be published next month. Northern receded 10 to 798p and Midlands also retreated 10, to 664p. Eastern Electricity relinquished 9 at 673p.

A gloomy outlook for retailing stocks from a broker and a company cast a shadow over several stocks in the sector.

Morgan Stanley yesterday made a "weather call" suggesting the current poor weather may have an impact on the profits of several retailers. Storehouse, which was nearing the top of the Morgan Stanley price chart, came in for concerted profit-taking and the shares relinquished 8 to 267p.

Sentiment in the sector was further undermined by a poor trading outlook from Allders, which reported sharply improved interim profits. The shares fell 16 to 221p.

MFI Furniture advanced 6½ to 120p, the best performance in the FT-SE Mid 250, after Kleinwort Benson recommended the shares. Volume was 2.6m at the close.

It was a mixed picture in the food retailers. Unfounded fears that J Sainsbury's £30m communications and customer service initiative launched yesterday may in fact be a price cutting campaign, saw the shares ease 3¼ to 446½p. Sentiment in the stock was further weakened by reports of new figures showing the group to be losing market.

Relief that there was no new pricing initiative from Sainsbury helped rival Tesco firm 4 to 295p, while Argyll Group bounced 7 to 329p. The sharpest rise was seen in discount retailer Kwik Save where the shares gained 25 to 653p, after James Capel upgraded profit expectations and recommended the stock.

Forte improved 5¼ to 240p in trade of 4.2m following a recommendation from S.G. Warburg. The broker said the outlook for the sector has continued to improve.

Tour operator Airtours tumbled 20 to 418p, making it the worst performer in the mid-250 index, after SG Warburg downgraded full year profit expectations.

Computer software group Tadpole Technology moved deeper into new low ground following a gloomy trading report. The shares tumbled 13 to 42p. They have very nearly halved in two days' trading.

Abbey National gained 5¼ to 479p after the building society turned bank gave a presentation to institutional investors on its life assurance business.

Chemicals group ICI dropped 10 to 754p as Goldman Sachs highlighted its caution over the outlook for commodity prices.

International news and financial information gronp Reuters Holdings was particularly strong on the back of US buying, closing 14¼ up at 525p. Zeneca, the pharmaceuticals group seen as being in the sights of Roche of Switzerland, hit a new closing high of 1081p, up 9 on the day.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jun 15	Jun 14	Jun 13	Jun 12	Jun 9	Yr ago	*High	*Low
Ordinary Share	2533.8	2506.5	2512.3	2512.6	2512.4	2383.4	2553.7	2238.3
Ord. div. yield	4.21	4.25	4.25	4.25	4.26	4.24	4.73	4.20
P/E ratio net	15.90	15.74	15.75	15.74	15.79	18.73	21.38	15.73
P/E ratio nil	15.66	15.50	15.51	15.50	15.49	19.40	22.21	15.49

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2510.3	2507.9	2507.3	2512.6	2515.4	2526.9	2530.9	2532.4	2534.2	2535.3	2506.1

	Jun 15	Jun 14	Jun 13	Jun 12	Jun 6	Yr ago
SEAQ bargains	21,720	22,650	21,071	21,568	22,048	24,082
Equity turnover (£m)†	-	1584.9	1276.5	1175.7	1317.8	1373.3
Equity bargains†	-	32,275	30,450	32,283	32,581	25,742
Shares traded (ml)†	-	659.2	548.0	477.2	521.1	513.1

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	771	Total Highs	91	Total contracts	51,559
Total Falls	489	Total Lows	41	Calls	24,416
Same	1,610			Puts	27,140

June 15 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3342.0	3370.0	+33.0	3377.0	3331.0	18903	23661
Sep	3368.0	3397.0	+34.0	3405.0	3358.0	15165	60035
Dec	3398.0	3422.0	+34.0	3413.0	3398.0	65	475

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3660.0	3685.0	+10.0	3660.0	3660.0	112	1897
Sep	3684.0	3690.0	+10.0	3684.5	3684.0	112	3377

■ FT-SE 100 INDEX OPTION (LIFFE) (*3370) £10 per full index point

	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P
Jun	170	1	120	1	70	1	21½	2	1½	30½	1	80	1	130	1	180
Jul	193	7	149	12	108	22	72	38	44½	63	22	95½	11½	140	5	190
Aug	197½	15	156	24	119	37	87½	55½	60½	79½	38½	109½	23	146½	15	190½
Sep	216	23	178	35	142	49	111½	68½	83½	92	59	119	41	153	26	193½
Dec†	267	55½			199½	87			142	129½			95½	184½		

Calls 11,513 Puts 15,018

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P
Jun	195	1	145	1	95	1	45½	1*	8	11½	1	55½	1	105½	1	155½
Jul	214	5	168	9	125½	15½	87	27	56	45½	32½	71	16½	105½	7½	146
Aug	218½	12	176½	19	138	29½	102½	45	74½	65	50	90½	31½	121	18	157
Sep			195½	26½			124½	53½			70	97½			34	159½
Dec†			252	61½			185	91½			126½	129½			80	179½

Calls 2,743 Puts 5,375 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	P.P.	129.2	733	688	Brit Aero Cap Uts	705	+5	-	-	-	-
-	F.P.	25.5	103	98	Finsbury Worldwide	102	+1	-	-	-	-
122	F.P.	24.9	127	122	Gradus Group	126		Lv4.88	2.1	4.8	12.5
80	F.P.	13.9	96	80	Gus Carter	88	+1	v-	-	-	19.3
-	F.P.	82.6	113	110	International Energy	111	-1	v3.3	2.3	3.7	14.5
3	F.P.	2.23	3½	3½	Langdons Foods	3½		Hv0.1	2.6	3.6	13.3
100	F.P.	20.1	98	93	NatWest Irish Sm	93½	-½	-	-	-	-
-	F.P.	1.29	33	28	Do. Warrants	30		-	-	-	-
-	F.P.	1,271.9	141	128	NYNEX CableCom	137½		-	-	-	-
-	F.P.	13.0	650	650	Oryx India	650		-	-	-	-
-	F.P.	1.00	250	250	Do Warrants	250		-	-	-	-
125	F.P.	16.8	141	128	Silk Industries	140		Lv5.6	2.1	5.0	11.7

FT GOLD MINES INDEX

	Jun 14	% chg on day	Jun 13	Jun 12	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (33)	1921.51	+1.3	1896.04	1888.09	1952.59	2.09	2337.80	1837.91
■ Regional Indices								
Africa (16)	2552.47	+0.8	2532.05	2509.76	2805.44	4.88	3711.87	2428.19
Australasia (6)	2098.51	-2.0	2142.16	2128.17	2828.50	1.88	2951.49	1788.20
North America (11)	1721.15	+2.3	1683.14	1680.60	1601.65	0.79	1911.21	1348.16

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FT - SE Actuaries Share Indices — The UK Series

	Jun 15	Day's chge%	Jun 14	Jun 13	Jun 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3370.4	+0.9	3339.8	3348.0	3344.6	3030.1	4.12	2.00	15.16	73.63	1317.24
FT-SE Mid 250	3662.1	+0.2	3653.9	3657.6	3659.3	3534.2	3.60	1.85	18.77	58.85	1403.29
FT-SE Mid 250 ex Inv Trusts	3671.1	+0.2	3664.8	3666.3	3668.4	3534.0	3.74	1.92	17.46	60.22	1405.23
FT-SE-A 350	1671.0	+0.8	1658.4	1662.0	1660.8	1526.8	4.00	1.97	15.84	34.36	1334.51
FT-SE-A 350 Higher Yield	1684.2	+0.6	1674.3	1678.3	1679.2	1520.0	4.88	1.76	14.51	41.02	1109.80
FT-SE-A 350 Lower Yield	1657.9	+1.0	1642.2	1645.1	1641.7	1494.6	2.97	2.37	17.73	27.35	1112.16
FT-SE SmallCap	1852.78		1852.53	1854.23	1856.52	1852.29	3.32	1.61	23.43	28.44	1472.83
FT-SE SmallCap ex Inv Trusts	1831.43		1831.55	1833.16	1835.99	1829.36	3.52	1.68	21.20	30.61	1462.07
FT-SE-A ALL-SHARE	1650.69	+0.7	1639.17	1642.51	1641.65	1518.30	3.95	1.95	16.25	33.35	1340.08

■ FT-SE Actuaries All-Share

	Jun 15	Day's chge%	Jun 14	Jun 13	Jun 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2859.42	+0.5	2843.97	2866.50	2854.15	2677.74	3.66	2.07	16.52	81.78	1181.08
12 Extractive Industries(7)	3792.45	+0.4	3777.14	3792.83	3794.45	3833.87	3.74	2.07	16.19	92.98	1074.21
15 Oil, Integrated(3)	2855.46	+0.6	2838.02	2864.77	2850.93	2639.35	3.77	2.16	15.33	61.83	1206.34
16 Oil Exploration & Prod(14)	2080.74	+0.1	2077.85	2080.20	2081.83	1864.00	2.37	0.67	78.91	31.66	1224.23
20 GEN INDUSTRIALS(278)	1949.48	+0.2	1944.77	1952.55	1954.54	1949.36	4.06	1.69	18.18	38.35	1023.70
21 Building & Construction(38)	968.01	-0.3	671.23	976.39	989.23	1153.56	4.12	1.85	16.35	20.64	780.93
22 Building Matls & Merchs(31)	1804.63	+0.6	1789.63	1791.15	1793.98	1823.40	4.12	1.84	16.55	37.17	877.26
23 Chemicals(22)	2374.15	-0.4	2382.99	2408.56	2412.24	2398.97	4.01	1.51	20.64	52.12	1085.93

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	778	384	+2
ASDA Group†	24,000	65¼	+¾
Abbey National†	3,000	479	+5½
Albert Fisher	516	46	+1
Allied Domecq†	1,600	534	+2
Anglian Water	287	524	+1
Argos	2,700	432½	-1½

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 14 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Jun 15 / Frs.) [illegible]

CZECH REP (Jun 15 / Koruna) [illegible]

DENMARK (Jun 15 / Kr) [illegible]

FINLAND (Jun 15 / Mka) [illegible]

FRANCE (Jun 15 / Frs.) [illegible]

GERMANY (Jun 14 / Dm.) [illegible]

GREECE (Jun 15 / Drachma) [illegible]

ITALY (Jun 15 / Lire) [illegible]

NETHERLANDS (Jun 15 / Fls.) [illegible]

NORWAY (Jun 15 / Kroner) [illegible]

POLAND (Jun 14 / Zloty) [illegible]

PORTUGAL (Jun 14 / Escudo) [illegible]

SPAIN (Jun 15 / Pts.) [illegible]

SWEDEN (Jun 15 / Kronor) [illegible]

SWITZERLAND (Jun 15 / Frs) [illegible]

TURKEY (Jun 15 / Tk Lira) [illegible]

PACIFIC

JAPAN (Jun 15 / Yen) [illegible]

HONG KONG (Jun 15 / H.K.$) [illegible]

INDONESIA (Jun 15 / Rupiah) [illegible]

MALAYSIA (Jun 15 / MYR) [illegible]

NEW ZEALAND (Jun 15 / NZ $) [illegible]

SINGAPORE (Jun 15 / S$) [illegible]

AUSTRALIA (Jun 15 / Aust$) [illegible]

SOUTH KOREA (Jun 15 / Won) [illegible]

TAIWAN (Jun 15 / TW $) [illegible]

THAILAND (Jun 15 / Baht) [illegible]

AFRICA

SOUTH AFRICA (Jun 15 / Rand) [illegible]

NORTH AMERICA

CANADA

TORONTO (Jun 15 / Can $) 4 pm close [illegible]

MONTREAL (Jun 15 / Can $) 4 pm close [illegible]

INDICES

	Jun 15	Jun 14	Jun 13	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	14179.80	14700.57	16531.10	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	1961.1	1966.5	1976.9	2077.50	9/5	1823.30	8/2
All Mining(1/1/80)	853.4	851.9	861.6	952.50	19/4	795.30	8/2
Austria							
Credit Aktien(30/12/84)	(c)	374.25	375.45	395.42	2/1	350.32	30/3
Traded Index(2/1/91)	(c)	1016.82	1020.91	1056.31	2/1	934.83	30/3
Belgium							
BEL20 (1/1/91)	1418.86	1411.53	1414.80	1486.74	12/5	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(c)	36650.0	37893.0	43190.00	2/1	21302.00	9/3
Canada							
Metals Minls♦(1975)	(u)	4304.35	4322.54	4391.48	8/6	3606.83	1/3
Composite♦ (1975)	(u)	4494.30	4492.10	4494.30	14/6	3981.41	30/1
Portfolio§§ (4/1/83)	(u)	2219.63	2217.26	2219.63	14/6	1948.39	31/1
Chile							
IGPA Gen (31/12/80)	(c)	6061.5†	6092.5	6191.00	8/6	4576.90	9/3
Denmark							
CopenhagenSE(3/1/83)	354.85	356.66	358.16	360.87	26/5	330.01	29/3
Finland							
HEX General(28/12/90)	1840.4	1853.3	1870.3	1940.30	10/1	1555.30	28/3
France							
SBF 250 (31/12/90)	1276.52	1264.27	1277.23	1322.30	12/5	1153.14	10/3
CAC 40(31/12/87)	1920.70	1833.65	1922.79	2017.27	12/5	1721.90	13/3
Germany							
FAZ Aktien(31/12/58)	(c)	783.41	779.72	795.81	18/2	708.87	30/3
Commerzbank(1/12/53)	(c)	2249.2	2237.8	2289.00	18/2	2018.70	30/3
DAX (30/12/87)‡	(c)	2128.02	2115.11	2148.40	6/6	1910.96	28/3
Greece							
Athens SE(31/12/80)	920.42	910.40	908.68	955.01	8/5	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9262.00	9364.77	9103.17	9570.37	5/6	6967.93	23/1
India							
BSE Sens.(1979)	3318.66	3324.86	3299.47	3932.09	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	487.27	489.32	488.29†	487.26	5/6	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	1953.41	1956.21	1944.12	1960.08	8/6	1813.89	23/1
Italy							
Banca Comm Ital (1972)	615.42	608.81	605.35	680.64	10/2	587.89	23/3
MIB General (2/1/95)	973.0	960.0	958.0	1078.00	10/2	928.00	23/3
Japan							
Nikkei 225 (16/5/49)	14867.26	14680.48	14599.58	19723.66	2/1	14599.58	13/6
Nikkei 300 (1/10/82)	225.86	223.10	222.36	287.17	2/1	222.36	13/6

	Jun 15	Jun 14	Jun 13	1995 High		1995 Low	
Japan							
Topix (4/1/68)	1208.03	1196.33	1193.16	1559.09	2/1	1193.16	13/6
2nd Section (4/1/68)	1465.86	1453.33	1441.90	2133.66	2/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	1058.44	1049.97	1038.99	1066.04	5/6	840.57	24/1
Mexico							
IPC (Nov 1978)	(u)	1985.86	1983.77	2354.25	2/1	1447.82	27/2
Netherland							
CBS TtlRtnGen(End 83)	471.3	469.5	471.4	478.16	1/6	422.90	23/3
CBS All Shr (End 83)	288.7	287.8	288.7	291.70	1/6	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2073.15	2084.21	2088.02	2166.79	18/6	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1183.42	1179.86	1173.14	1186.84	15/5	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2782.89	2810.66	2809.27	2877.33	8/6	2249.39	27/3
Portugal							
BTA (1977)	(c)	2771.6	(c)	2911.80	9/1	2662.40	26/1
Singapore							
SES All-S'pore(2/4/75)	522.54	518.77	518.89	538.66	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1453.9♥	1402.5	1391.0	2623.09	2/1	1317.20	22/5
JSE Indl. (28/9/78)	6780.5♥	6791.6	6784.6	7065.29	3/5	6222.00	31/1
South Korea							
KoreaCompEx(4/1/80)**	880.82	886.66	887.32	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	285.01	285.47	285.50	302.30	24/5	284.06	23/3
Sweden							
AffarsvardnGen (1/2/37)	1588.4	1589.0	1603.9	1689.80	2/6	1430.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1299.96	1298.20	1296.95	1303.37	1/6	1174.83	13/3
SBC General (1/4/87)	980.17	978.25	976.33	984.16	7/6	870.56	13/3
Taiwan							
WeightedPr.(30/6/66)**	5360.09	5413.74	5513.70	7124.66	3/1	5360.09	15/6
Thailand							
Bangkok SET (30/4/75)	1361.57	1367.88	1372.00	1409.26	5/6	1135.89	16/3
Turkey							
Istanbul Comp.(Jan 1986)	50486.6	52344.7	53082.5	54663.90	21/4	24644.31	23/1
WORLD							
MS Capital Int (1/1/70)§	(u)	665.5*	664.9	680.16	6/3	666.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1356.74	1361.12	1354.19	1380.43	18/5	1222.41	13/3
Euro Top-100 (26/6/90)	1230.97	1226.34	1229.22	1244.92	6/6	1114.54	10/3
JCapolDrgns (31/12/88)	(u)	336.32	332.92	347.28	5/6	282.87	23/1
Barings Emerg.(7/1/92)	(u)	147.60	148.38	159.97	2/1	117.16	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Jun	1898.0	1919.0	+26.0	1925.0	1896.0	20,211	45,730
Jul	1900.5	1921.5	+29.0	1922.0	1899.0	1,070	8,204
DAX (Jun 14)							
Jun	2139.5	2126.0	-	2140.0	2121.0	28,914	-
Sep	2161.0	2146.0	+1.0	2161.0	2143.0	17,609	-
OMX							
Jun	1242.00	1240.00	-20.00	1247.00	1237.00	5,437	13,675
Jul	1258.00	1251.75	-19.50	1258.00	1246.25	1,965	3,879
SOFFEX							
Jun	2801.9	2801.0	+7.0	2808.0	2795.0	6,273	9,278
Jul	2809.0	2809.5	+8.4	2813.0	2801.1	5,046	13,973

** Sat June 10: Taiwan Weighted Price 5841.19; Korea Comp Ex 880.31. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 15 - 2130.78 +5.94.

US INDICES

Dow Jones	Jun 14	Jun 13	Jun 12	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4491.08	4484.51	4446.46	4491.08 (14/6)	3832.08 (30/1)	4491.08 (14/6/95)	41.22 (2/7/32)
Home Bonds	102.32	102.12	101.42	102.32 (14/6)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1689.55	1700.95	1663.22	1700.95 (13/6)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	203.93	205.25	203.27	208.86 (5/6)	183.03 (3/1)	523.86 (26/3/95)	10.50 (8/4/32)

DJ Ind. Day's high 4510.70 (4504.91) Low 4449.23 (4440.24) (Theoretical♦)
Day's high 4492.48 (4491.77) Low 4483.70 (4443.35) (Actual♦)

Standard and Poors	Jun 14	Jun 13	Jun 12	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	536.47	536.05	530.88	536.47 (14/6)	459.11 (3/1)	536.47 (14/6/95)	4.40 (1/6/32)
Industrials♥	638.05	637.06	632.06	638.05 (14/6)	546.28 (3/1)	638.05 (14/6/95)	3.62 (21/6/32)
Financial	51.43	51.56	50.55	52.57 (5/6)	41.41 (2/1)	52.57 (5/6/95)	8.64 (1/10/74)
NYSE Comp.	288.35	288.15	285.58	288.35 (14/6)	250.73 (3/1)	288.35 (14/6/95)	4.46 (25/4/42)
Amex Mkt Val	497.19	491.41	489.32	497.19 (14/6)	433.12 (6/1)	497.19 (14/6/95)	29.31 (9/12/72)
NASDAQ Cmp	895.72	894.23	887.98	895.72 (14/6)	743.58 (3/1)	895.72 (14/6/95)	54.87 (31/10/72)

■ RATIOS

	Jun 9	Jun 2	May 26	Year ago
Dow Jones Ind. Div. Yield	2.50	2.54	2.53	2.68
	Jun 7	May 31	May 24	Year ago
S & P Ind. Div. yield	2.20	2.19	2.21	2.48
S & P Ind. P/E ratio	17.65	17.72	17.61	24.06

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Humana	11,979,800	19⅝	-3¼
Wal-Mart	5,270,200	26½	+⅛
Occid Pet	4,563,500	21½	-⅛
Compaq	3,763,100	41⅞	+1⅛
EMC	3,400,300	24¾	+⅛
Utd Health	3,174,100	40	-2⅝
Atlntc Engy	3,077,500	18¾	-⅛
Citicorp	2,966,600	56⅝	+½
Alza	2,961,400	22¼	+⅝
Fed Dept	2,845,200	26	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Jun 14	Jun 13	Jun 12
New York SE	330.221	339.627	257.835
Amex	19.821	21.460	23.574
NASDAQ	433.923	418.154	381.565
NYSE			
Issues Traded	2,987	2,990	2,986
Rises	1,086	1,618	1,262
Falls	1,153	724	926
Unchanged	768	648	798
New Highs	113	139	78
New Lows	11	8	9

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	536.50	536.30	+0.65	536.60	536.30	28,410	69,510
Sep	540.55	540.90	+0.30	541.50	540.30	79,835	176,646
■ Nikkei 225							
Sep	14680.0	14850.0	+150.0	14850.0	14390.0	35,155	102,810
Dec	14700.0	14700.0	-60.0	14700.0	14700.0	2	702

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, June 15, 1995

	Stocks Traded	Closing Prices	Change on day
Fudo Const	16.5m	829	+66
Nippon Steel	7.8m	285	+2
Maruyama Mfg	7.2m	605	+86
Hanwa	5.4m	175	+10
Showa Line	5.4m	96	-4
Kinki Sharyo	4.7m	571	+71
Kawasaki Steel	4.0m	290	+7
Mitsubishi Hvy	3.7m	559	+13
Itochu	3.3m	469	-21
NKK	2.9m	196	+1

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. 1 Priced in US $.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close June 15

1995 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	12⅛	AAR	0.48	3.1	26	127	15½	15⅜	15½	
24	17	ALPharmaA	0.18	1.0	137	764	18¼	17⅞	17⅞	-½
43⅜	35	AMP	0.92	2.1	23	8664	u45¼	42¾	44½	+1½
75⅜	53⅜	AMR			24	9944	u75¾	74½	74¾	-¼
47⅞	41⅞	ASA	1.71	3.8	29	2663	45⅛	44⅜	44¾	+⅜
40⅞	38¾	AbbotL	0.84	2.1	20	6950	40¼	39¾	39⅞	-⅛
17¼	12	Abitibi Pr	0.40	2.5	122	451	16⅛	15⅞	15⅞	-⅛
24⅜	21	ABM Ind	0.60	2.7	12	66	22⅜	21⅞	22⅜	+⅜
16⅝	13½	Acptncgin			8	112	14⅛	14⅛	14⅜	+⅛
28	21⅞	ACE Ltd	0.56	2.0	12	1220	u28½	27⅞	28⅛	+⅛
9¾	8⅛	ACM Gvt In	0.90	0.6	8	234	9⅜	9¼	8⅜	
7½	6½	ACM GvOpp	0.66	6.1		181	7¼	7⅛	7¼	+⅛
7½	5¾	ACM Gvt Sp	0.75	10.9		231	7	6⅞	6⅞	
8⅝	7¼	ACM Gvt Se	0.90	10.7		556	8⅜	8¼	8⅜	
9½	7⅝	ACM Man	1.00	11.7		294	9⅜	9¼	9¼	-⅛
28¼	10¼	AcmeClv	0.46	1.9	12	243	25⅜	24⅞	24⅞	-⅜
33½	12⅞	Acme Elect			77	776	32⅜	30¾	31⅛	-⅜
34½	00	Acordia	0.72	2.3	15	34	31	30¾	31	+¼
12¼	8⅜	Actava	0.36	2.9	9	1350	u12⅜	11⅞	12¼	+¼
16¾	10⅜	Acuson			23	75	11¼	11⅛	11⅛	
17⅝	15⅝	Adams Expr	0.48	2.8	0	91	17⅛	17¼	17½	+⅛
21½	25	AdvMic			10	12611	36¼	35⅜	35⅝	-⅛
7¾	5	Advest Grp	0.16	2.1	39	122	7⅝	7½	7½	
21¾	18½	Advo Inc	0.10	0.5	17	1441	21⅛	21	21⅝	+⅝
34	24.80	Aegon	1.03	3.1	16	116	33¾	33½	33½	-⅜
5	3⅜	Aerfix			7	1607	4¼	4⅝	4⅜	-⅛
62¼	46¾	AetnaL	2.76	4.5	12	3787	u62⅝	62	62	
44¾	31⅞	Aflac	0.52	1.2	14	204	43½	43⅛	43¼	-⅛
33¾	16	Ahmnsn	0.88	3.9	12	1617	22½	22⅛	22⅜	+⅛
1⅜		Aileen Inc			0	00		½	½	
54¼	43⅞	AirPrC	1.04	1.0	18	1771	53⅞	52⅞	53½	+¾
24¼	18⅜	Airbne Frt	0.30	1.4	13	445	21¾	21	21¾	+⅞
21	19⅝	Airgas Inc			26	331	25⅝	25⅜	25⅝	+⅛
15⅞	13⅜	Airlease	2.00	12.7	11	29	15¾	15⅝	15¾	+⅛
00	24	AirTch			120	17848	26⅝	26¼	26½	
17¼	13½	Alaska Air	0.20	1.2	16	1495	u17½	16⅞	17⅜	+½
23⅛	17⅛	Albany Intl	0.40	1.8	24	401	22⅞	22½	22⅝	-¼
16	12¼	Alberni	0.20	1.3	16	317	15½	15⅜	15⅜	
32½	25⅞	AlbCuB	0.32	1.0	17	533	31⅞	00¾	31⅜	-¾
28	23	AlCulvr A	0.33	1.2	10	485	26½	25¾	29⅜	-⅝
32½	27¼	Albtsn	0.52	1.6	17	3220	29⅛	28¾	20	+⅛
00⅛	23⅜	AlcnAl	0.30	1.0	24	1172	29⅝	28¼	29⅝	+¼
79½	61⅞	AlcoSt	1.04	1.4	50	1117	76¼	75⅜	75⅜	-⅞
40	20½	AlexBrown	0.70	1.6	10	660	44	43⅜	43½	+⅜
26½	18½	AlexAl	0.10	0.4	12	208	24⅛	24	24	-¼
23	18⅜	Allegh Lud	0.48	2.3	00	1008	20⅝	20½	20½	+¼
25⅛	21½	AllegP	1.64	7.0	12	1634	23¾	23⅜	23½	-⅛
26⅜	21¼	Allen Con	0.20	0.7	23	1574	u27⅜	26½	27⅜	+1¼
30¼	25¾	Allergan	0.48	1.7	16	1400	29⅛	28¼	29	+⅜
28⅛	15⅜	Alnce Cap	1.64	0.4	11	490	19½	18⅜	18½	+⅝
9⅛	8⅜	Allnce Gl	0.16	2.9		31	9¼	9⅛	9⅛	-⅛
28½	29½	Ald Irish	1.01	3.5	18	10	28¾	29½	38⅝	-⅛
41⅞	33⅜	AldSig	0.78	2.0	14	7627	40	39½	39⅝	-½
10⅛	9¼	Allmer	0.64	6.2		32	u10¼	10⅛	10¼	+¼
31⅝	23½	Allstate	0.78	2.6	10	1884	30¼	30	30	-⅛
31	29¼	Alltel Crp	0.96	3.7	17	3589	26½	25½	26⅛	+½
6⅜	5	Allwaste			14	96	5⅜	5¼	5⅜	+⅛
30	29¾	Alumax			8	944	29⅛	28⅝	28¾	-⅛
48⅞	38⅞	Alcoa	0.90	2.0	11	4117	44¾	43⅝	44⅝	+¼
24¼	16¼	Alza Cp A			31	12034	22¾	22⅜	22¾	
7⅝	5⅝	AmGovInc	0.96	14.5		638	6¾	6½	6⅝	
10	7⅝	Am Precis	0.25	2.7	17	6	9½	9½	0½	
6⅛	4½	AmaxGd	0.08	1.4	9	2263	5¾	5½	5⅝	+⅛
22¼	17½	Amcast Ind	0.52	2.8	9	169	19	18¾	18¾	-⅛
53¼	43¼	AmdahL	0.88	1.2	310	2073	50	49⅜	49⅜	
42⅛	35⅝	AmBrnd	2.00	5.1	6	3384	39¼	38⅞	38⅞	-½
28⅞	20⅜	Am Bus Prd	0.84	3.8	14	27	28½	28¼	28⅜	+¼
7⅞	6½	Am Cap Inc	0.65	8.9		121	7¼	7⅛	7¼	+⅛
19¾	18¼	Am Cap Bd	1.54	8.2	32	45	18⅞	18⅝	18¾	-⅛
21	18	Am Cap CV	1.88	5.3	0	21	20⅛	20½	30½	-¼
35¾	31¼	AmEIPw	2.46	6.9	12	1525	34¾	34½	34⅝	-⅛
36½	29⅛	AmExpr	0.90	2.6	12	5527	35⅜	35	35⅛	
38½	21½	AmGenl	1.24	3.5	11	1550	35¼	34⅝	35½	+½
6¾	4¾	Am Govt In	0.77	13.7		139	5⅝	5½	5⅝	+⅛
22½	10⅞	Am Hlth Pr	2.30	10.0	47	227	21⅝	21½	21⅝	
19¾	16¼	Am Heritge	0.72	3.6	10	93	u19⅞	10⅛	19⅞	+⅜

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NYSE COMPOSITE PRICES

4 pm close June 15

NASDAQ NATIONAL MARKET

4 pm close June 15

AMEX COMPOSITE PRICES

4 pm close June 15

AMERICA

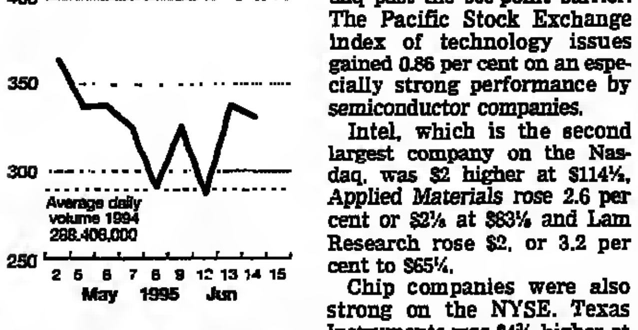
Dow attempts to breach the 4,500 barrier

Wall Street

US shares were mostly flat in quiet trading early yesterday as most economic data came in close to analysts' expectations, but the Nasdaq composite soared past the 900-point level on the back of a strong performance in technology issues, *writes Lisa Bransten in New York.*

The Dow passed the 4,500-point barrier at 10 am, just after a survey of business activity released by the Federal Reserve Bank of Philadelphia showed a 24.3 per cent decrease in June. The decline came on the heels of downturns in April and May and it was the first time since April 1991 that the figure had posted three consecutive declines.

NYSE volume



Since the beginning of June the market has traded higher on weak economic data, traders betting that a slowing ecooomy would lead the Federal Reserve to lower interest rates, therehy fuelling consumption and lowering the cost of corporate borrowing.

The figures are especially important because they provide the first signal about June economic performance.

At 1 pm the Dow Jones Industrial Average was 6.57 higher at 4,497.65. The Standard & Poor's 500 put on 0.95 at 537.41, while the American Stock Exchange composite climbed 2.99 to 494.20. The Nasdaq composite strengtheoed 6.14 to 901.86. Volume on the New York Stock Exchange was 175m shares.

Industrial prodnction and capacity utilisation figures for May also showed the economy to be slowing hut there was little market reaction as the figures were close to expectations.

Peper companies faltered yesterday after an analyst at Morgan Stanley downgraded several companies to "neutral" from "outperform". Stone Container slipped $1 at $18, International Paper fell $⅞ at $79⅝ and Georgia Pacific lost $1⅜ at $79⅝.

Rebounding tecboology shares helped boost the Nasdaq past the 900-point barrier. The Pacific Stock Exchange index of technology issues gained 0.86 per cent on an especially strong performance by semiconductor companies.

Intel, which is the second largest company on the Nasdaq, was $2 higher at $114½, Applied Materials rose 2.6 per cent or $2⅛ at $83⅜ and Lam Research rose $2, or 3.2 per cent to $65¼.

Chip companies were also strong on the NYSE. Texas Instruments was $4⅞ higher at $127⅞. LSI Logic rose $2⅝ at $73¾ and Motorola was $½ higher at $61⅛.

Mid Atlantic Medical, a managed healthcare company known as a health maintenance organisation or HMO, shed $1¼ at $21¾ after it was denied accreditation by an industry monitor.

Canada

Toronto was lifted by golds as hullioo rose again, the TSE 300 composite index firming 17.80 to 4,512.10 by 1 pm local time. Comex gold was rallying to a new one-month high in Londoo as the Toronto market's gold and precious metals index put on 301.40 or 2.8 per cent at 10,929.80 at midsession.

Banks were weak, the index dropping 0.6 per cent; dealers said that the market was waiting for central bank directioo on interest rates on both sides of the Atlantic.

Argentina picks up

Buenos Aires edged higher in morning trade in a technical bounce after Wednesday's 4.4 per ceot dive. The Merval index picked up 1.37 points to 397.22, mimicking a positive bias in Brady instruments.

Dealers commented, however, that no fresh news had emerged to cheer the market, although some Argentine stocks had become popular with Wall Street speculators because they were so volatile.

Wednesday's fall, which took losses over the last fortnight to 10 per cent, came as Brazil erected barriers against car imports, putting a strain oo Mercosur, the six-month old customs union led hy Argentina and Brazil which, many had hoped, would pull regional economies out of their current slump.

MEXICO CITY overcame early weakness in late morning trade, adding to the gains of the previous two sessions. The IPC index was 12.69 higher at 1,998.55.

Analysts noted, however, that the market still lacked direction, with gains on Wall Street still providing the only impetus for many share prices.

S African golds soar 4.3%

Gold shares soared in volatile late trade in Johannesburg as jobbers moved in ahead of the June futures expiry. The golds index jumped 4.3 per cent in a rise that dealers said was far beyood that justified by a slightly better gold hullioo price and weaker rand.

There was, bowever, little interest in industrials, in spite of Wall Street's strong performance overnight, with many investors already absent ahead of the long weekend holiday.

The overall index, aided by a good gain in De Beers, rose 24.2 to 5,435.2, industrials eased 6.6 to 6,784.9 and golds advanced 60.7 to 1,463.2.

De Beers, ahead R1.75 at R93, mede up some lost ground after weakening on concern about its Central Selling Organisation's half-year sales figures, doe on June 21.

EUROPE

Bourses recover as Suez affair keeps Paris busy

A hetter day for the dollar, especially against the French franc, and in bond markets gave bourses a recovery platform, *writes Our Markets Staff.* Frankfurt was closed for the Corpus Christi holiday.

PARIS liked the recovery in the dollar and bond markets, offered a contrast in the retail sector and linked with that, indulged in more speculation over the Suez affair as the CAC-40 index recovered 27.05 or 1.4 per cent to 1,920.70 in turnover of FFr3.4bn.

Wednesday's blocking of the Suez plan to issue more shares, perhaps to Pinault Printemps Redoute, suggested that Mr Francois Pinault might have to be content with being a retailer, rather than a banker; Pinault led the CAC-40 up with a rise of FFr46 to FFr1,058, backed by at least a couple of broker upgrades. Suez, meanwhile, rose FFr7.50 to FFr267 as it discussed other arrangements with its Belgian subsidiary SGB, but said also that its hreak-up value was not far short of FFr357 e share.

The downside of the broker/retailer relationship came as SGE Delahaye reduced its earnings forecasts for Naf Naf after a slump in the retail clothing chain's reported profits for 1994/95. The shares fell FFr13 to Fr88.90.

Financials staged a recovery and Axa, prominent on the downside on Wednesday, rose FFr6.90 to FFr262.10 as it hoped that the financial benefits of its bid for National Mutual, of Australia, would outweigh Australian policyholders' anger at the French resumption of nuclear tests in the South Pacific.

FT-SE Actuaries Share Indices

Jun 15 — THE EUROPEAN SERIES

Hourly changes	Open†	10.30†	11.00†	12.00†	13.00†	14.00†	15.00†	Close†
FT-SE Eurotrack 100	1353.53	1352.62	1353.44	1353.75	1354.48	1354.96	1356.03	1358.74
FT-SE Eurotrack 200	1447.67	1448.50	1448.51	1448.44	1451.30	1452.58	1452.85	1454.00

	Jun 14	Jun 13	Jun 12	Jun 9	Jun 8
FT-SE Eurotrack 100	1351.12	1354.19	1350.53	1359.31	1371.16
FT-SE Eurotrack 200	1445.83	1447.96	1446.06	1452.28	1463.89

Base 1000 (26/10/90); High/day: 100 - 1357.35; 200 - 1455.48 Low/day: 100 - 1352.33 200 - 1446.44 † Partial

BRUSSELS analysts made disapproving noises about an elaboration of the connection between Suez and its Belgian subsidiary Société Générale de Belgique. SGB rose as high as BFr2,225 before closing BFr20 ahead st BFr2,185, and the Bel-20 index gained 7.33 at 1,418.86.

AMSTERDAM was pleased by the indications that ABN Amro would not be a rival bid for Kleinwort Benson, and the Dutch bank rose 60 cents to Fl 60.40 as the AEX index closed 2.29 higher at 432.86.

MILAN pulled back from the day's highs after Mr Antonio Fazio, the Bank of Italy governor, said thet credit politices would become tighter unless inflation was reduced by the end of the summer. The Comit index rose 8.61 to 615.42, while the real-time Mibtel index turned back from a high of 9,898 to finish 85 up at 9,842.

Fiat, down 7.4 per cent since Monday of last week after the company reported a lower first-quarter operating margin, bounced 2 per cent higher in intraday trade before settling to end L23 easier at L5,879.

Mr Nicholas Potter at Credito Italiano International said: "There is nothing fundamentally wrong at Fiat but there is a lot of negative sentiment about the European antomotive sector. Fiat is certainly becoming more competitive, and while the hard currency block manufacturers are engaged in a price war Fiat has said that it is not interested in buying market share with no margin."

Among insurers, Ras rose L186 to L17,578 and Generali picked up L575 to L38,889 as they joined a shareholder pact by buying shares in Pirelli & Cie, holding company of the tyre and cablemaker Pirelli.

ZURICH remained in the doldrums, the SMI index rising 2.1 to 2,800.2 with Corpus Christi holidays in parts of the country depressing trade.

Registered shares in Swiss Re, the insurer, advanced SFr8 to SFr918 ahead of the annual press conference next week.

SMH jumped SFr19 to SFr730. Ms Felicity Smith at ABN-Amro Hoare Govett, who first recommended the stock in February when the price was SFr605, has reiterated the recommendation. She said that the group's strong position in most of its brand segments should produce above average earnings growth this year and in 1996, and that the current multiple excluded this.

Ascom bearers picked up SFr20 to SFr1,470 on renewed foreign demand.

OSLO hit a new high as the bid hattle for Norgeskreditt took the mortgage institution's shares up another NKr6 to NKr277. The total index rose 4.30 to 688.49 in hectic trade worth a total of NKr1.1bn. Takeover talk also lifted BN Bank, which gained NKr6 to NKr166.50. HELSINKI saw Nokia steady ahead of today's tertial results, after a couple of days' weakness, the A shares closing FM1 higher at FM209. But an excellent four months from Metsa-Serla fell on stony ground. The shares dropped FM2 to FM176 and the Hex index by 12.9 to 1,840.4.

ISTANBUL dropped 3.6 per cent on heavy afternoon selling, the composite index closing 1,878.1 lower et 50,466.63 for an aggregate, three day loss of 6.5 per cent. There were rumours, later dehied, that one of Turkey's leading broking houses had financial troubles.

Written and edited by William Cochrane and Michael Morgan

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Feb 1995	Mar 1995	Apr 1995	May 1995	US $bn
Belgium	57.27	80.06	64.08	79.74	2.75
Denmark	22.09	20.80	18.10	25.49	4.82
Finland	14.03	10.92	10.88	11.65	2.89
France	152.25	186.23	141.79	210.87	42.41
Germany	125.64	187.27	95.70	135.18	95.67
Italy	54,807	50,617	33,064	60,464	36.89
Netherlands	27.30	32.00	24.50	32.90	20.79
Norway	23.48	18.84	19.85	26.72	4.26
Spain	1,062.36	1,104.50	1,213.64	1,210.23	9.87
Sweden	94.12	115.80	80.80	113.20	15.42
Switzerland	20.36	21.95	15.70	31.70	27.16
UK	47.52	62.52	42.91	48.33	76.70

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

The switchback ride by European equity market turnover continued apace in May with a steep 39.5 per cent rise, more than erasing the 34.7 per cent fall in April, writes Michael Morgan. A sizeable part of the improvement can be attributed to a fall in the number of public holidays during May. In Germany, for example, there were 22 working days compared with 18 in the previous month. Mr James Cornish at NatWest Securities notes that the recovery in turnover accompanied a satisfactory further increase of 3 per cent in the FT/S & P-A Europe index in May, after the 4.1 per cent advance in April. May's rise was helped by the 70 basis-point drop in the US long bond yield and a strengthening of the dollar.

Turnover in European stocks traded on Seaq International, the London, screen-based system, also rose, by 36.5 per cent, in May.

Switzerland was the month's best performer, with turnover rocketing 101.9 per cent to a level last seen in March 1994, and the index up 6.5 per cent. Falling interest rates drew domestic and foreign investors back to the financial sector, with SBC being reassessed after its acquisition of Britain's S.G. Warburg, and Swiss Re, the insurer, returning to focus in the light of its restructuring strategy.

Equally important, investors were learning to live with the downward pressure exerted on the earnings of exporting companies by the strength of the Swiss franc against the dollar and other European currencies.

ASIA PACIFIC

Fiscal measures hopes lift Nikkei as Shanghai drops

Tokyo

Hopes of additional fiscal measures, and a possible review of the securities transaction tax, gave e boost to sentiment, prompting afternoon buying which helped the Nikkei index to close higher, *writes Emiko Terazono in Tokyo.*

The 225 average finished 206.77 ahead at 14,867.26 after a volatile day which saw the index fluctuate between a low of 14,376.08 and a high of 14,867.26.

Hedge selling pulled down the futures market in tbe morning session, and cash stocks declined on arhitrage unwinding and profit-taking. In the afternoon, however, comments, regarded as encouraging, by a cahinet memher and a leader of the ruling coalition prompted short-covering.

Volume totalled 320m shares, against 257m. The Topix index of all first section stocks rose 11.70 to 1,208.03 and the Nikkei 300 moved forward 2.76 to 225.86. Advances outnumbered declines by 616 to 398, with 160 issues unchanged. In London the ISE/Nikkei 50 index added 3.90 at 1,011.08.

Investors were encouraged by an announcement hy Mr Kozo Igarashi, chief cabinet secretary, that the second supplementary budget, originally scheduled for the autumn, would be brought forward.

Meanwhile, Mr Yoshiro Mori, secretary general of the Liberal Democratic party, the leading coalition member, said the government should produce effective financial measures to help the economy.

Mr Mori called for a review of taxes on land and securities transactions to revitalise the stock market and enhance the liquidity in the property market. Share prices also received a boost from separate reports that the coalition was considering creating a project team on financial issues.

Property developers were higher on Mr Mori's comments. The real estate sector strengthened 2.9 per cent, with Mitsui Fudosan advancing Y11 to Y945 and Mitsubishi Estate Y22 to Y584. Financials were also higher, with Industrial Bank of Japan appreciating Y40 to Y2,380 and Sakura Bank Y20 to Y925. Nomura Securities moved ahead Y20 to Y1,520 and Daiwa Securities Y33 to Y943.

Exporters, which were hard hit et the start of the week, gained ground. Matsushita Electric Industrial improved Y40 to Y1,280 and Sony Y110 to Y3,950.

Computer games software companies lost ground on reports that Softbank, a computer software developer and distributor, was planning to set up a joint venture with Microsoft, of the US, to develop software for personal compnter games. Worries over increasing competiton depressed Nintendo hy Y200 to Y4,600 and Sega Enterprises hy Y140 to Y2,840.

In Osaka, the OSE average put on 62.58 at 15,802.07 in volume of 9.2m shares.

Roundup

Wednesday's ebullience disappeared in Hong Kong, while the neighbouring Shanghai and Sbenzheo markets tumbled as the Chinese authorities planned to expand tha A share markets for domestic investors.

SHANGHAI As dropped 45.617 or 6.4 per cent to 670.376 and SHENZHEN's hy 6.80 points or 5 per cent to 128.02 as China's securities authorities announced quotas to issue a total of Yn5.5bn worth of new A shares.

The decision marked the lifting by Beijing of a ban on issues and listings of new A shares, which took effect last July after the A share market fell to historic lows, weighed down by rapid market expansion. Earlier market estimates had put the amount of the quota at Yn2bn to Yn3bn.

Investors feared that the bigger qnota would siphon off funds from already listed stocks and depress the market; and that Beijing could pump new shares into the market any time it thought it needed cooling down.

HONG KONG blamed profit-taking as the Hang Seng index finished 102.77 or 1.1 per cent down at 9,262.00, and turnover dropped from Wednesday's HK$3.7bn to HK$2.4bn.

S.G. Warburg revised its recommended weighting for the colony, dropping it from neutral to underweight and saying that its 8,800 year-end target remained intact.

Warburg said that prices for residential property had remained stagnant, that commercial rents risked a 20 per cent drop on looming oversupply and weak take-up, and that industrial margins were under pressure.

TAIPEI hit a new 14-month low after late dumping of electronics stocks, although the SEC urged pension and postal funds to support the market. The weighted index fell 53.65 to 5,360.09, turnover staying low at T$36.8bn.

MANILA sold hig blue chips on bear sentiment and the legal entanglement between Ayala Land and Metro Pacific over a land deal. The composite index slipped 27.97 to 2,782.69.

SINGAPORE reported European buying, momentum picking up in the afternoon session and the Straits Times Industrial index closing 15.56 higher at 2,153.79.

KUALA LUMPUR said foreigners and locals came in late in the day in a repeat of Wednesday's pattern, the foreigners apparently encouraged by reports that Mr Anwar Ibrahim, Malaysia's finance minister, may have positive news on liberalising the capital market when he meets bankers and fund managers next Thursday. The KLSE composite index ended 8.47 firmer at 1,058.44.

KARACHI extended Wednesday's post-budget gloom, additionally disturbed by reports of the killing of 10 people in an attack on a government office in the city. The KSE 100-share index declined a further 23.05 or 1.4 per cent to 1,587.80.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JUNE 14 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JUNE 13 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (83)	162.68	-0.3	149.82	86.65	116.16	146.86	-0.6	4.16	163.15	151.69	86.79	116.12	150.86	180.82	157.95	173.05
Austria (26)	192.64	0.2	177.41	102.61	139.95	139.77	-0.3	1.27	192.26	173.75	102.28	140.38	140.20	198.86	167.48	180.71
Belgium (35)	191.39	0.3	176.27	101.95	139.05	135.44	-0.3	3.86	190.76	177.36	101.48	139.28	135.79	201.12	151.66	167.66
Brazil (28)	133.26	-1.7	122.73	70.98	96.81	222.35	-2.7	1.52	135.59	126.06	72.13	99.00	228.49	-	-	-
Canada (102)	141.86	0.2	130.39	75.41	102.86	141.74	0.1	2.50	141.28	131.35	75.16	103.15	141.56	141.69	120.64	128.15
Denmark (33)	281.50	0.6	259.26	149.94	204.51	208.47	-0.1	1.52	279.86	260.19	148.88	204.33	208.73	287.44	236.61	254.97
Finland (24)	215.71	-0.4	198.66	114.90	156.71	193.78	-1.0	1.60	216.59	201.37	115.22	158.14	195.74	219.01	133.88	133.88
France (101)	182.39	-0.5	167.98	97.15	132.51	140.28	-1.3	3.17	183.23	170.35	97.47	133.78	142.11	191.17	157.78	164.92
Germany (59)	158.32	1.1	145.81	84.33	115.01	115.01	0.6	2.06	156.63	145.62	83.32	114.36	114.36	158.32	132.08	134.23
Hong Kong (55)	365.83	2.6	336.52	194.86	265.78	363.31	2.6	3.76	356.58	331.52	189.70	260.35	354.06	416.42	277.40	372.97
Ireland (16)	231.68	1.2	213.37	123.40	168.32	199.16	0.7	3.59	228.88	212.80	121.76	167.12	197.66	231.98	191.99	185.76
Italy (58)	73.10	1.3	67.33	38.94	53.11	89.37	-0.1	1.91	72.13	67.07	38.37	52.67	89.47	88.73	65.45	88.06
Japan (483)	143.82	0.1	132.46	76.61	104.49	76.61	0.2	0.98	143.70	133.61	76.45	104.92	76.45	170.10	136.95	166.10
Malaysia (97)	542.86	1.7	499.86	289.15	394.38	509.71	1.7	1.80	533.73	496.23	283.94	389.70	501.40	594.78	398.16	475.17
Mexico (18)	941.54	-0.3	867.14	501.51	684.02	6397.91	0.0	2.10	944.19	877.83	502.29	689.38	6385.24	2414.12	547.81	1964.52
Netherland (19)	248.92	0.0	229.26	132.59	180.85	177.52	-0.5	3.59	248.85	231.36	132.38	181.69	176.52	252.34	194.56	200.20
New Zealand (14)	81.21	0.2	74.79	43.26	59.00	64.20	0.0	4.65	81.00	75.31	43.09	59.14	64.20	84.31	64.00	67.61
Norway (33)	224.56	0.6	206.82	119.61	163.14	189.45	0.2	2.23	222.88	207.21	118.57	162.73	189.12	230.07	177.53	183.77
Singapore (44)	396.93	0.6	365.57	211.43	288.37	254.88	0.6	1.69	394.72	366.99	209.99	289.20	253.47	414.26	313.94	336.88
South Africa (61)	339.24	0.1	312.43	180.70	246.45	271.61	0.0	2.56	338.91	315.09	180.29	247.44	271.73	363.22	261.43	280.34
Spain (38)	148.01	0.8	136.31	78.84	107.53	135.70	0.1	4.16	145.86	136.54	78.13	107.22	135.63	151.79	124.10	143.72
Sweden (48)	261.30	-1.0	240.66	139.19	189.84	279.88	-1.2	2.14	263.96	245.41	140.43	192.73	283.23	266.80	196.70	212.64
Switzerland (46)	198.85	0.4	183.14	105.92	144.46	142.14	0.0	1.80	198.06	184.14	105.36	144.61	142.17	199.48	155.05	161.69
Thailand (46)	171.46	1.0	157.93	91.34	124.58	163.99	1.0	2.66	169.79	157.86	90.33	123.97	162.31	-	-	-
United Kingdom (203)	217.72	0.7	200.51	115.97	158.17	200.51	-0.2	4.16	216.21	201.02	115.02	157.87	201.02	218.27	181.11	188.37
USA (506)	219.17	0.1	201.85	116.74	159.22	216.17	0.1	2.63	219.04	203.65	116.53	159.93	219.04	219.17	180.55	186.49
Americas (654)	200.69	0.0	184.83	106.90	145.80	168.38	0.0	2.61	200.80	186.50	106.72	146.46	168.33	-	-	-
Europe (739)	188.97	0.5	174.04	100.65	137.28	157.66	-0.3	3.17	188.11	174.89	100.07	137.34	158.12	190.51	160.59	164.85
Nordic (136)	252.82	-0.4	232.84	134.67	183.67	223.57	-0.6	1.94	253.89	236.05	135.07	185.37	225.39	255.82	197.70	202.27
Pacific Basin (822)	154.31	0.3	142.12	82.19	112.11	87.98	0.4	1.36	153.87	143.06	81.86	112.35	87.86	176.98	145.93	173.44
Euro-Pacific (1561)	168.66	0.4	155.32	89.83	122.52	113.77	0.1	2.21	168.04	156.23	89.40	122.69	113.70	178.33	154.73	169.69
North America (608)	214.36	0.1	197.42	114.16	155.73	213.92	0.1	2.62	214.23	199.17	113.96	156.41	213.79	214.36	176.83	184.75
Europe Ex. UK (536)	169.37	0.3	155.98	90.21	123.04	133.67	-0.3	2.61	168.82	156.96	89.81	123.26	134.09	171.29	144.12	148.47
Pacific Ex. Japan (339)	254.00	1.2	233.93	135.29	184.53	223.09	1.1	3.19	250.89	233.26	133.47	183.19	220.56	273.13	211.19	247.20
World Ex. US (1770)	169.37	0.3	155.99	90.22	123.05	117.37	0.0	2.22	168.80	156.94	89.80	123.25	117.32	178.73	155.42	170.67
World Ex. UK (2073)	181.28	0.2	166.96	96.56	131.70	141.51	0.1	2.16	180.96	168.24	96.27	132.12	141.39	187.07	163.46	174.30
World Ex. Japan (1793)	207.52	0.3	191.12	110.54	150.76	192.86	0.0	2.88	206.94	192.39	110.09	151.09	192.89	208.74	176.74	182.89
The World Index (2276)	184.45	0.2	169.89	98.25	134.00	146.55	0.1	2.37	184.03	171.10	97.90	134.36	146.48	189.27	165.62	175.56

Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: Company management practices are having an adverse impact on unemployment, a forthcoming study argues

Downside of stability in the workplace

Why don't employers behave as neo-liberal economists believe they should and set the pay and benefits of their employees purely in response to labour market shifts?

With the vast majority of workers outside the Nordic countries no longer in unions and collective bargaining much less common, companies ought to be in a strong strategic position to set "market-clearing" rates of poy, recruit more quickly and thereby reduce unemployment totals. But in practice this does not seem to be happening.

Mr David Marsden at the London School of Economics has produced an important paper* (nsed as a source for last year's OECD jobs study) that seeks to answer the conundrum. He does so by arguing that management practices, particularly in their hiring and lay-off decisions, aggravate unemployment – this being the price companies believe they must pay to ensure the employee stability needed to achieve corporate success.

"It may seem odd in a competitive economy that the management practices of firms could contribute to unemployment," he admits. "If prices and wages are flexible and firms are maximising profits, then they should normally hire as much labour as workers wish to supply at the prevailing wage rates."

"It is hard to see why employment practices freely adopted hy firms and which detract from their performance should persist," he adds.

But Marsden points out part of the difficulty stems from the tendency to "treat the firm as a black box and to abstract from the very real problems of enterprise management". He accepts that "in the competitive long run in which information is freely nvailable this may be legitimate. However, enterprise management involves many problems in which information is incomplete, incorporated in workers' practical skills or is used in small group bargaining relations."

The most interesting part of Marsden's argument concerns his description of what he calls the enterprise's internal labour market, where companies fill their vacancies from among their current employees. He agrees this system provides "an economical way of organising skill development" within a company, because it belps to ensure workers take a long-term view of their jobs by making their content more "firm-specific". It also strengthens the seniority principle and develops organisational competencles based on experience.

Inevitahly, such an approach makes it harder for workers to find employment elsewbere if they are displaced, and it limits the opportunities for new entrants to join the company, partlcularly in a recession, while older workers grow more expensive to hire as they lack "firm-specific" skills. Marsden explains that the high cost of building a reputation for employment stohility, and the difficulty of rebuilding such a reputation when once lost, means companies will be reluctant to abandon their internal labour market regimes. And this is the case even where it might increase the informal bargaining power of the "insiders" who benefit from the security, wbether unionised or not.

In the most convincing part of his argument, be points to the cbange in methods of production that make such an approach more attractive to innovntlve companles. The emergence of flexible specialisation in work, and the growth in "lean" manufacture to replace mass production, has meant oot only a greater demand for more varied jobs but also for fewer semi-skilled production workers and supervisors, less routine engineering and design work, more multi-skilling and fewer professional skills.

It has also ensured that more companies have developed internal labour markets of their own. When linked to the spread of total quality management techniques, it has also placed a heavy empbasis on the need to ensure employee commitment to tbeir company's goals through agreed trade-offs based on job security. Marsden attempts, not always as coovincingly, to link the growth of corporate internal labour markets to the pattern of unemployment in various countries. He contrasts the fact that while 55 per cent of jobless in Europe are long term, only 21 per cent are in Japan and 7 per cent in the US and the Nordic region.

Moreover while the average length of job tenure in the US in 1991 was 6.7 years, in Japan it was 10.7 years, in the UK 7.9 years, France 10.1 years and in Germany 10.4 years. While 38.3 per cent of workers in the US had been with the same employer for more than five years, the proportions were 45.0 per cent in UK, 57.6 per cent in France, 59 per cent in Germany and 62 per cent in Japan.

Marsden argues the persistence in the UK and France of organisational rigidities in work allocation with job demarcation mitigates against flexible work organisation, because it ensures greater job segmentation and rigid intra-organisational divisions. By contrast, Germany's workers have broad-based technical competences that avoid these rigidities.

"German firms seem to have been able to build structures upon a system of occupational markets giving occupationally qualified workers a strong incentive to accept internal flexibility unlike the UK," explains Marsden, who adds: "A combination of employment stability and lack of sufficient internal flexibility could discourage employers from hiring new labour and so contribute to high unemployment duration."

Marsden believes the answer is to widen the range of occupational skills workers possess and to find ways of promoting "greater co-operation both within the firm and between firms" to belp reduce rigidities which have led to high unemployment. As with so many labour market issues, it comes hack to training. Unfortunately given the lack of company commitment in the UK to hroad training, this will guarantee nothing mucb is done at a national level.

**Management Practices and Unemployment* will be available shortly (free) from the Centre for Economic Performance, the London School of Economics and Political Science, Houghton St, London WC2A 2AE.*

● There seems to be no sign that people in employment are feeling any more secure at work than three months ago. On the contrary, the latest quarterly survey of the UK workplace mood published this week suggests there has been an increase, rather than a fall, over the past three months in the proportioo of workers who feel less secure.

While as many as 91 per cent of them said they felt no more secure in their jobs than they did earlier in the year, oo less than 30 per cent feel more insecure now than then. The picture proved to be most dismal in the financial service sector, where as many as 44 per cent reported they were less secure now than in the previous quarter. The survey, carried out for the Msf tecbnical union by the independent Quality Data Preparation, found pay and consultation were the other main issues of workplace angst after insecurity. But it also recorded a significant rise for the third quarter in a row in the numbers complaining about pressure at work.

The highest levels of work pressure were suffered hy those in financial services, the voluntary sector, health and electronics. The regional picture of insecurity in the UK labour market reveals some diversity, though an increase was recorded everywhere. Workers in northern England were most likely to feel less secure now than three months ago (47 per cent), followed by London (43 per cent) and Wales (37 per cent). The lowest increase in those feeling less secure was in east Anglia (19 per cent) and Yorkshire/Humberside (24 per cent).

Robert Taylor

APPOINTMENTS WANTED

FUND MANAGER - OVERSEAS EQUITIES

Our client, a leading UK stockbroking company, with over £1 billion of funds under management, now need an ambitious and experienced person to help continue to grow their managed funds division, involving pension funds, insurance funds, charities and unit trusts. The candidate should demonstrate a broad general knowledge of overseas equity markets with specific specialisation in US equity fund management.

The ideal candidate will have had lead management responsibility for funds investing in this area and have a demonstrably good track record. Good communication, presentational and IT skills are essential.

An attractive remuneration package is envisaged which will depend on experience and past success.

Interested candidates should write in the first instance to: Julie Drury, enclosing a curriculum vitae at: Tavistock Communications Limited, 1 Angel Court, London EC2R 7HX.

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- Sensitivity analysis of the existing portfolio with emphasis on the extent of exposure and efficient structuring of credit, as well as evaluation of a country's specific issues.

A graduate with a good degree in an analytical subject, it is expected that the successful candidate will be a qualified ACA, or equivalent, with an outstanding academic track record.

You will currently be a product or risk controller with strong product knowledge, alternatively a credit risk manager seeking responsibility for a broader product range will also be considered. Experience of manipulation of volume data coupled with strong systems skills, including modelling, is also key.

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A young dynamic and meritocratic organisation, our client prides itself on offering fast track career opportunities in London or worldwide. It is therefore expected that the individual will either develop an international career within credit or, alternatively, have the opportunity to move to other related departments.

Interested applicants please send a full résumé to Nicola McCarthy, Ref. 1942/25 at Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN, fax 0171 240 1052 or alternatively telephone on 0171 240 1040.

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INTERNATIONAL

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HONG KONG BASED

Regent Fund Management is one of the fastest growing investment managers in Asia. With assets under management of US$3 billion, and a reputation for innovative products and consistent high quality management, we are looking for a Senior Manager to play a high level role within our successful Hong Kong based team.

You must:

- Be a graduate with at least 10 years experience in investment management;
- Be able to demonstrate a successful track record in managing Asian investments;
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Regent Pacific Corporate Finance Ltd
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Fax: 0171 332 0360

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Credit Suisse (Moscow) Ltd is currently rapidly expanding in the Russian market. As a direct result of this expansion we have identified the need to recruit senior professionals for the position of

Global Relationship Manager

Based in Moscow you will be part of the corporate banking department of the strongest global player in the fascinating and exciting Russian financial market with responsibility for major account relationships, both existing and new.

This position will give you unlimited scope to develop your career with the Credit Suisse organisation

Suitable candidates will possess the following qualities and characteristics:

- Several years of relevant international banking experience, gained with a major financial institution
- Have a degree in Banking, Finance or related field
- Excellent commercial, communication and presentation skills
- Native Russian with fluent English

Interested candidates should fax their personal details to our recruitment consultant
Koen Breken at Commonwealth Resources,
Smolenskaya - Sennaya Ploshchad 23/25, kv. 119, Moscow 119121.
Fax... 7 503 956-6849.
Or alternatively call first for an initial discussion on... 7 503 956-1919.

CREDIT SUISSE (MOSCOW) LTD
КРЕДИТ СВИСС (МОСКВА) АО

MAI plc
Corporate Finance

Central London ***Attractive Package***

MAI plc is an international financial services and media company with interests ranging from international broking to market research and television. The company has enjoyed rapid growth in recent years and is currently capitalised at around £1 billion.

As a result of internal promotion, the Company now wishes to recruit an individual who will work as part of a small team, lead by the Group Managing Director, which provides strategic corporate finance and communications expertise at both corporate and business unit level.

The role will involve:

- evaluation and analysis of acquisitions, disposals, and joint ventures
- leading negotiations and co-ordinating professional advisors when appropriate
- group strategic planning
- advice on stock market related issues

The successful candidate could be expected to move into senior line management within three years. Essential attributes are:

- outstanding record of achievement to date
- corporate finance transaction experience
- stock market experience
- excellent analytical and communications skills
- commercial flair
- high degree of self-motivation

The substantial remuneration package will reflect the importance of this position.

Please send a full CV including details of current remuneration in confidence to
Jane Stables, MAI plc, 8 Montague Close, Londoo SE1 9RD.

NO AGENCIES

Fund Management Marketing
UK Clients

With assets of some £18 billion under management, our client, AMP Asset Management, has become a major force in the investment management industry since its establishment in London less than 4 years ago. To ensure the successful continuation of the growth of its external client base, it is now seeking to strengthen its marketing team by the appointment of a young fund management marketing professional who will assist in the development of new business from the larger UK pension funds, local authorities and the UK subsidiaries of overseas multinationals. The job will entail the building of relationships with pension fund trustees and major consultants and the promotion of the company's specialist portfolio management expertise.

This position is likely to appeal to candidates with 2-3 years' experience in the marketing of institutional fund management services within the UK who are now keen to join an employer with a good performance record, a long-term commitment to growth and a well defined investment and business development strategy. Excellent presentation skills are essential, as is a well focused, results-orientated approach. The position offers a highly competitive salary and benefits package. To apply, please write in confidence to:

I M R Recruitment Consultants, No.1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW (tel. 0171 872 5447).

I M R
INVESTMENT MANAGEMENT RESOURCES

Capital Markets & Treasury Products

SALES ASSOCIATE

to sell new technology based services

City of London

Our client, a major international bank, is constantly seeking to gain commercial and competitive advantage through the imaginative use of cutting edge technology.

Your role will be to forge relationships with senior-level client managers which maximise opportunities for on-line cross-selling of Global Services with Capital Markets and Treasury products. Constantly assessing both customer needs and relevant competitor activity, you will be seeking ways to develop new technology-related services and instigate their smooth implementation.

We are looking for a first-class project manager and strategist with a profound knowledge of the latest investment banking applications for IT. Highly skilled interpersonally with a proven talent for selling, you will have the confidence and persuasiveness to present technology effectively to sophisticated audiences. Experience of on-line trading and settlement systems for the major cash and derivatives markets would be a distinct advantage.

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Please send full career details, quoting ref: 363, to our consultant Steve Clayton at JM Management Services Limited, Chandos House, 12-14 Berry Street, London EC1V 0AQ.

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Arab National with extensive knowledge of international and local markets and well proven performance record including US/UK real estate, seeks suitable position, preferably in the US/UK or UAE.
Please reply to:
Box A5564, Financial Times, One Southwark Bridge, London SE1 9HL.

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Competitive Salary + Relocation Package **Istanbul**

Our client is the 10th largest privately owned bank in Turkey and has a very good reputation in the international banking community. Its business centres around the provision of trade finance and of working capital finance for Turkish companies.

An opportunity has now arisen for a marketing executive to join this profitable and growing business. Responsible for all the investment banking between London and Turkey, the successful candidate will be dealing with shares for the bank portfolio, and have responsibility for co-ordinating and controlling foreign investor transactions.

The ideal candidate will have at least 3-4 years experience of international capital markets within a national or foreign bank in London. Experience of emerging markets would be desirable but this is not essential.

Candidates should have a strong academic and professional track record. A competitive package will be offered to the successful candidate including an attractive relocation package.

If you are interested in this excellent career opportunity please send your curriculum vitae, in confidence to: Client Reference: CM320, c/o Arthur Andersen, 1 Surrey Street, London WC2R 2PS.

To maintain the confidentiality of the recruitment process, all responses will be forwarded, unopened to our client. Interviews will be conducted in London.

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Control our investment in leading edge IT

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A background of success

As a company, we've been highly successful in growing our UK financial services business over the last year: premiums up by over 50% and PBT up by over 80%. We now have 1.5 million clients, 4 million policies and £2.6 billion under management. Investment in advanced IT – the latest generation of processors, lap-top and palm-top technology, even robotics – has underpinned our success. We are committed to a continuing programme of development with a projected budget in excess of £20 million: this year's plans include the migration of our life systems and the purchase and implementation of a new general ledger.

A need for control

The effective management of this investment calls for improved informatioo and an emphasis oo cootrol. To that end, we have created this new role with responsibility for the finances of our IT department. Reporting to the IT Director, with a dotted line to finance, you will initially focus on the development of a cross-chargiog/cost allocatioo system and oo a methodology for refined project monitoring. On a day-to-day basis, you'll also be responsible for our budget and expenditure control and you'll support our plans for capital expenditure and alternative financing.

A chance to apply your expertise

You are a qualified accountant, you may be in or have come from consultancy, and you work closely with a sophisticated IT department. You have already worked in a cross-charging environment and you may even have been involved in the development of the approach. You certainly have an in depth understanding and you're confident you can support our plans. You are project orientated and you enjoy juggling competing priorities. You're pretty self-sufficient (although you also enjoy being part of a team) and you're considered one of the brighter sparks in your current company.

An opportunity to develop

Get it right and we'll give you the chance to go places. We may create a standalone profit centre and you could run it. We may seek to sell our expertise on the open market. There will always be a route for you to develop further in our Finance Department. The first step on that road is to coovince us that we should meet. Write with your full CV and salary details, quoting reference D/0059/FT to our advising consultant:

Mark Hartshorne,
Executive Search & Selection,
Price Waterhouse,
No 1 London Bridge, London SE1 9QL.

Financial Controller - Germany

Kiel, Northern Germany — To DM 100,000 + Relocation Assistance

Our client, based on the Kiel canal, is the shipping services subsidiary of a leading UK group with international interests in shipping, commodity trading, hotels and agency businesses.

The German operation has historically provided services to vessels navigating the vital waterway between the Elbe and the Baltic.

They now provide a wide range of services, including ships husbandry, liner operations, vessel care and warehousing to a wide variety of vessel types. More recently, operations have expanded to include the supply of provisions, stores and bunkers to owners and vessels world-wide.

An exciting opportunity has now arisen to appoint a Financial Controller to this medium-sized company with full responsibility for financial management.

The position repons directly to the Managing Director.

The role is hands-on, supervising a small team of accounts staff. Responsibilities include annual and monthly reporting, budgeting and cash flow management, control of computer and office systems, credit control, taxation, banking and provision of ad-hoc information for the Managing Director. There will be considerable contact with operational staff within the company and liaison with the UK group.

Applicants will probably be qualified accountants and should be aged 28-35 with at minimum, reasonable fluency in German. You should have several years experience in a commercial or industrial company and any work experience in Germany or shipping industry experience would be an advantage. Prospects are good with possible progression to Senior Management. Additionally, the Kiel area is well-known for its extensive sailing and golf facilities.

Please send your CV to
Mark Masson CA at GMS,
Goodman Masson Shaw,
2 Bath Street, Londoo EC1V 9DX
or fax it on (44) +171 336 7722.
Alternatively, for a detailed and confidential discussion, telephone Mark Masson on (44) +171 336 7711 (Evenings/Weekends (44) +171 372 5952).

GMS
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Coca-Cola

The World's most powerful brand?

BUSINESS ANALYST

Essen, Germany — Excellent package and bens

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A superb eotry point to Coca-Cola's international operations, this is a central role in the financial consulting team, working with European business functions, subsidiaries and German licensees and liaising extensively with the US parent company. Initial responsibilities include the assessment of new products and projects from an investment viewpoint and the development of a cost-information system, making market pricing recommendations. Focusing oo sustained, profitable growth, the role also involves the strategic assessment of new investment opportunities.

A high-profile position, success will depend on energy and enthusiasm, strong technical expertise and good communication skills. With its reputatioo for excellence and a rigorous selectioo process, Coca-Cola seeks self motivated individuals with a record of academic achievement – either an Economics degree or MBA with a finance/accountancy specialisation - and 2-3 years' professional finance experience. Qualified accountants seeking to move out of a major international practice will be of particular interest.

Candidates must be stroog team players, fluent in German and English, with project managemeot experience and good computer skills. Offering an attractive salary package, this role is a stepping stone to an international career with one of the world's most successful organisations.

Interested applicants should send or fax their CV, quoting ref. 116, or contact us on 44 171 242 9191 (weekdays), or 44 181 948 1571 (evenings and weekends).

Note: Any CVs sent direct to Coca-Cola will be forwarded to Alderwick Consulting Ltd.

ALDERWICK CONSULTING
SEARCH & SELECTION
95 FETTER LANE, LONDON EC4A 1EP TEL: 44 171-242 9191 FAX: 44 171-242 3560

Special Projects Manager

Central London — £35,000 plus benefits

Our client, a multi-disciplinary service sector organisation, is currently in the process of implementing a fully integrated financial information system.
They require a qualified accountant to project manage the implementation of SunAccount financial systems within the Head Office and regional offices. Candidates will need to have had "hands on" experience of implementing SunAccount financial systems, demonstrate an ability to train unskilled users and be able to liaise effectively with non-accountants.
The main project is likely to last for 12-18 months, after which further project work or line management prospects are anticipated.
Interested applicants should send a C.V. or alternatively ring 0171-831 7393 quoting reference no. 3074 to:

John Silk
Executive Recruitment Services
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden, London EC1N 8JA

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financial recruitment

INVESTIGATIONS

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AMBITIOUS ACA

Surrey to £32,000 + Car

This vacancy will appeal to large firm trained ACAs who wish to develop their careers in dynamic, highly profitable and rapidly expanding concerns. Our client is a medium sized industrial company whose spheres of activity embrace a number of business sectors. Candidates, preferably aged 27-35, will need better than average technical, computing and interpersonal skills together with a good sense of humour.

F.D. POTENTIAL

S. East £32,000 + Bonus

This acquisitive manufacturing group, with substantial US interests, seeks a young ACA with one year's post-qualification experience gained within a multi-national company. The role involves significant analytical and technical responsibility in a Micro Control environment, offering extensive exposure to senior management worldwide. Career prospects are exceptional for an eothusiastic individual.

For further information please telephone on 0171-831-2323 or send your CV to Hudson Shribman, Vernon House, Sicilian Avenue, London WC1A 2QH. (Fax No. 0171-404-5773).

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APPOINTMENTS WANTED

ACA/MBA
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■ Our client is the well established UK subsidiary of a Swedish group manufacturing capital goods. The UK business is strongly focused on sales and service and has a turnover approaching £20m with 150 employees.

■ A key member of the management team, the Finance Director will be responsible for developing the finance function to provide sound and supportive commercial advice to the Profit Centre Managers, thus enabling the business to be developed effectively.

■ Candidates should be qualified accountants probably in the age range of 33-45 with senior level financial management experience gained within a high unit-valued sales and service oriented environment. The successful individual will be able to demonstrate good staff management skills, systems implementation experience and ideally have been used to reporting to a parent company. It is essential that you can communicate well both throughout the business and externally to the parent company and major clients.

■ Please write outlining your relevance to the appointment and enclosing a curriculum vitae, including current remuneration details, to Carrie Andrews at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference CA644.

ERNST & YOUNG

Financial Analyst

London

c£40,000 pa
Plus Substantial Bonus and Car

Our client is a multi-national group providing high quality and cost efficient specialist support services to industrial, commercial and public sector customers, primarily in the UK, Europe and North America.

As a result of recent internal promotions this high profile opportunity has arisen. You will be a part of a small Head Office team responsible for all aspects of the planning process working closely with senior group and subsidiary management.

Specific responsibilities include:

- Ensuring that business plans are well constructed.
- Review of operational performance, including ensuring that all group financial policies and reporting procedures are followed.
- Supporting Group Management in all aspects of the Capital Investment decision process.
- Continuous and pro-active commercial and analytical support to Senior Operational and Group Management.

You will be a Qualified Accountant with broad financial management as well as strong financial planning and analysis experience gained within a blue-chip international environment. Additionally you will be:

- Highly analytical with considerable initiative as well as excellent communication and relationship building skills.
- Able to rapidly identify the key drivers within a diverse range of businesses.
- Personally, technically and commercially credible at all levels.

To explore this challenging opportunity further you should write to Karen Wilson at Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London, EC4A 1DY enclosing a recent C.V. and a note of current salary quoting Ref: HKW/10270/FT.

Hoggett Bowers
EXECUTIVE SEARCH AND SELECTION

Kodak

Financial Controller

"....to be the World Leader in Imaging"

West London — to £45,000 + Car + Bens

With a turnover in excess of $13.5 billion worldwide, Kodak is a global International force with a diverse product range and extraordinarily high performance standards. Dramatic growth in recent years has been achieved by substantial investment in the development of new and existing brands.

Within the Group's European, African and Middle Eastern Headquarters based in West London, an opportunity has arisen within the high profile Consumer Imaging Products Division. Reporting directly to the Business General Manager and functionally to the Finance organisation, the position provides the critical link between general and financial management within the corporate matrix structure.

The focus of the role is to maximise the Division's value by driving for profitable growth and optimising controllable assets utilisation. In addition, responsibilities include financial planning and analysis, interpretation of results, development of pricing strategies and provision of business and financial consultancy advice for the management team.

This is a unique role combining the strategic with the operational which requires demonstrative ability to adopt a hands-on approach to the business and the intellectual capability to contribute to strategic decision-making. Candidates aged 30-40 must be graduate qualified accountants or MBA's with a successful track-record gained in a pan-European FMCG environment. Equally important are the personal qualities of clear commercial vision and excellent management and communication skills. Fluency in English is a pre-requisite whilst working knowledge of other European languages would be useful but not essential.

Interested applicants should forward a comprehensive CV, including current salary package and daytime telephone number to Gary Watson, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH quoting reference 236799.

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
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GROUP FINANCE DIRECTOR/CFO

London

£70,000 + bonus + car + benefits

Our client is an international management consultancy group with an outstanding portfolio of multi-national corporate clients. Growing at 30% annually and with offices in 11 of the world's major commercial centres, its innovative methodologies and its dedication to improved client business performance have necessitated a reinforcement of its financial management and administrative processes.

The appointment of a top-flight CFO is key to managing its continued profitable growth. The CFO will work closely with the Chief Executive and take full responsibility for all finance and administrative functions. In addition to controlling the financial and management accounting processes, the successful candidate will be expected to take an innovative approach to the management of all costs and billability. Systems strategy, treasury policy, fiscal efficiency, local compliance and Company Secretarial matters will also fall within his/her sphere of responsibility.

Candidates should be Chartered Accountants of graduate calibre, probably in the 35-45 age range. They should have in-depth experience of all aspects of financial management and control, ideally gained in a consultancy or professional services environment, and should be familiar with international financial reporting. We are looking for a proactive leader, with strong communication skills, high energy levels and the desire to work within an environment which will be continually subject to change and growth. Strong commercial awareness and Board Room credibility are also essential.

Please write, in confidence, with full career and salary details, to Paul Carvosso, MSL International Limited, 32 Aybrook Street, London W1M 3JL. Please quote reference 54933.

MSL INTERNATIONAL
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CLIENT:

Highly profitable PLC. Acquisitive market leader. Restructuring and developing Oxfordshire-based Head Office/Central Support Services.

ROLE:

- Main Board reporting to Chairman.
- Authoritative Group-wide financial control and analysis.
- Enhancement of highly responsive support services - purchasing, property, I.T., transport.
- Acquisition appraisal and integration.

EXPERIENCE:

Essential - pro-active, pragmatic F.D. Major multi-site company experience, controlling finance/support services.

Commercially astute, absolute focus on detail and maximising company and individual performance. Skilled manager and communicator, thriving in fast-moving sales/distribution environment.

All applications will be treated in confidence. Please apply in writing enclosing a comprehensive C.V. (quoting ref R6023) to :

Peter Gibbons, Director, The Recruitment Advertising Agency, The Old Church, Neath Road, Whitehall, Bristol BS5 9AP.

raa
RECRUITMENT ADVERTISING AGENCY

BUSINESS DEVELOPMENT ANALYST

AN OUTSTANDING OPPORTUNITY TO JOIN THIS RENOWNED DRINKS COMPANY

WEST LONDON

£33-38,000 + bonus + car + excellent benefits

Guinness Brewing Worldwide (GBW) has an unrivalled product portfolio and a turnover of £2 billion. It is one of two core businesses within Guinness PLC, a leading force in the global drinks market place.

Instrumental to the future success of GBW is the Business Development department. It is responsible for providing advice and support to the Brewing Division in developing its worldwide strategy, and resolving specific strategic issues. This is achieved by:-

- analysing competitor/market activity, providing insight and recommending appropriate actions
- providing financial analysis on possible acquisitions, joint ventures and other business opportunities.
- managing the annual strategic plan process.

As Business Development Analyst, you will join a high-profile team working in these important areas in identifying key business strategy issues and opportunities worldwide.

A Qualified Accountant with 5 years' proven analytical and commercial experience within an FMCG organisation, you will possess well developed spreadsheet modelling skills and a flexible approach to problem solving. Additionally, you will demonstrate a strong combination of professional skills and personal qualities including:-

- maturity, credibility and strong interpersonal and presentation skills
- a results-orientated approach and the ability to manage and interpret large amounts of complex business data, whilst focusing rapidly and accurately on the key issues
- self-motivation, tenacity and resilience

To apply, write to our advising consultants Karen Wilson at Hoggett Bowers, 7-9 Breams Buildings, Chancery Lane, London EC4A 1DT. Enclose your C.V. and details of your current salary. Quote reference HKW.10141 FT

GUINNESS BREWING WORLDWIDE LTD.

BUSINESS DEVELOPMENT MANAGER

Leading Edge UK Retailer

Highly Attractive Package

Vision, commitment and energy are qualities that have transformed this dynamic UK plc into a recognised leader within the fast moving retail sector. Its impressive performance results from the ability to implement change, launch product innovations, address operational issues and attract ambitious individuals keen to contribute positively to business performance.

Exceptional growth plans coupled with a determination to improve market share, have led to a requirement for an outstanding individual operating at the core of the organisation. Working as an integral member of a highly focused team, specifically you will:-

- Provide value added financial support and guidance by identifying key trading issues and developing relevant strategic initiatives.
- Be responsible for business and operational planning and performance enhancement across a wide range of indicators.
- Actively develop new business opportunities and project manage assignments to deliver improved trading and operational results.

Suitable candidates will have outstanding qualities. You will have a blue chip background and a strong academic record including ideally an MBA or professional qualification and have the necessary personal qualities to deliver in a demanding and complex organisation. You will demonstrate high motivational qualities, a strong commercial outlook and be capable of inspiring confidence at all levels. You will be rewarded by a truly progressive career.

*Interested candidates should write to **Michael Herst** or **Charles Austin** at Herst Austin Rowley, 30 St. George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR717.*

HERST AUSTIN ROWLEY
SEARCH & SELECTION PARTNERSHIP
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---

financial controller

tashkent, uzbekistan

young qualified accountant

russian/turkish speaker

excellent terms and conditions

An opportunity with a diversified US multinational committed to significant expansion in all major Central and Eastern European markets.

The position requires maturity and business sense in order to deal at a senior level with operational management of the food distribution business.

We need someone with the confidence and technical skills to sharpen up reporting and controls. We are looking for a tough, pragmatic person but someone not above handling the routine administrative tasks.

Over the next few years continuing expansion of Eastern European operations will necessitate increasing attention to cross-business issues and the financial controller will assist the General Manager in handling all major projects, alliances and strategic developments.

Reporting to the General Manager and deputising for him in his absence, key responsibilities will include:

- **US GAAP reporting, planning and budgeting**
- **foreign exchange, treasury and contract accounting**
- **strategic issues and business advice to management**
- **maintenance and development of financial systems**
- **potentially some responsibility for purchasing**

The company is a meritocracy and good performance is rewarded with excellent long-term career development. Please telephone us to find out more about this and other opportunities in Central and Eastern Europe.

farn williams Please send CV, ref: 0372 to recruitment specialists Farn Williams, 1 Benjamin Street, London EC1M 5QL. Tel: + 44 (0) 171 608 1133 Fax + 44 (0) 171 608 1166

Basingstoke — To £50k + excellent benefits package

FINANCIAL CONTROLLER

Information Management Solutions

As the rapidly growing UK subsidiary of a successful US technology services company, which concentrates on the utilities, higher education and more recently, the manufacturing markets, our client specialises in advanced application software products and services. Established 18 months ago in the UK, they are targeting the utilities sector and have already achieved considerable success in this market, by securing a number of contracts with leading UK utilities companies.

The growth in the UK has created a need for a Financial Controller to establish and develop a finance function for the UK and European operations. A key member of the management team, you will take full responsibility for all aspects of the finance function including financial accounting, management reporting, planning, forecasting and budgeting. Of primary importance will be the migration of the existing UK financial reporting systems from the US to this autonomous subsidiary.

Reporting to the European Managing Director, you will provide strong financial guidance and take an active role in contributing to the strategic direction of this young sales and service driven organisation.

A qualified accountant, you are likely to have worked in a complex project environment, holding accountability and responsibility for the full financial administration function. With a strong business orientation, you will be entrepreneurial in approach and comfortable in a client-facing role.

If you are interested in this opportunity to establish, define and manage the finance function in a dynamic and team-orientated environment, then please fax or send your CV quoting reference number 11702, salary details and where possible, daytime telephone number, to the advising consultants, Goodman Graham & Associates, 8 Beaumont Gate, Shenley Hill, Radlett, Herts WD7 7AR. Fax: 01923 854791.

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Group Finance Director

A highly profitable, well-respected and expanding computer services group now wishes to appoint a Group Finance Director to provide commercial support to the Board as the business continues to grow and develop in the UK and overseas. Challenging role which requires first-class technical skills and an appreciation of how a finance professional can add real value across a business.

THE ROLE

- Working with the main Board with responsibility for the financial management and control of the business, supported by a small head office team, and the building of effective relationships with divisional MDs.
- Ensuring that the funding and capital structure of the business evolves to support growth, liaising with financial advisors.
- Assessing the quality and relevance of management information. Evaluating and integrating acquisitions worldwide.

THE QUALIFICATIONS

- Dedicated finance professional aged 35+, with outstanding technical accounting and funding skills and experience in a fast-moving, evolving sector.
- First-class analyst with the gravitas, confidence and credibility to support and influence operational management.
- Strong communicator, able to express complex financial concepts clearly and concisely.

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FINANCIAL CONTROLLER

Based: Mombasa, Kenya

East Africa Tea Business

CDC is a UK statutory corporation which assists countries in the development of their economies through investment in both new and existing enterprises. We have built up our investments in tea in East Africa over the last ten years and are now consolidating five previously independent companies with a combined projected turn-over of £7.8m into an integrated business.

This is a crucial role, vital to the success of this new initiative. As Financial Controller, you will be responsible for the financial control of the East Africa Tea Business, supporting and advising the General Manager. You will be closely involved in marketing and sales policies, co-ordinate the five companies' plans and budgets and produce consolidated and integrated plans and budgets for the business. You will be responsible for co-ordinating the training and development of the finance staff for all five companies and also manage the Treasury function, minimising exposure to exchange rate fluctuations.

We are seeking a Chartered Accountant or equivalently qualified member of an internationally recognised accountancy institute with at least five years experience at senior level within a commercial organisation as Financial Controller. You must have had previous line responsibility for monthly accounting and budgeting. In addition corporate planning experience and familiarity with a corporate treasury function is essential. Previous experience in soft commodities and of living in a developing country would also be highly desirable.

In return we can offer a salary and benefits package that reflects the seniority of the position and includes generous expatriate benefits, including private health insurance and assistance with school fees.

To apply please write with a full CV giving details of your current salary and benefits package to: Ian Gill, Personnel Manager, CDC, One Bessborough Gardens, London SW1V 2JQ, United Kingdom. Fax: 44 71 8286505. E Mail: igill@mail.london.cdc.co.uk.

Please quote reference number: Serial 2461.

CDC is an equal opportunities employer.

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GROUP ROLE - FAST TRACK

THORN EMI

Competitive Package including FE Car + PRP

West London

Thom EMI is the publicly quoted parent company of a diverse international group. Its strategy is to focus on consumer related businesses with world-class competitive strengths. The group's principal businesses, EMI Music, THORN Rental and HMV, have demonstrated their success by building international positions in their respective markets.

The group reporting department has long been recognised as a platform from which many financial executives have developed successful careers throughout the organisation. A key role has been identified to focus on the following areas:-

- Planning and execution of the year-end process.
- Analysis and preparation of the monthly board reports.
- Acquisition and disposal administration involving close contact with senior management.
- Development of management and financial reporting systems.
- Dealing with ad hoc projects.

The successful candidate will be a graduate ACA/ACMA, with approximately 2 years PQE. Either Big 6 or industry trained, you will be able to demonstrate a clear record of achievement, good commercial and technical skills and an ability to deal effectively across all levels and functions. Excellent interpersonal skills needed. First promotion can be expected within 18 months to 2 years.

Please write with full CV, quoting ref: VS1205, to Vikki Sly at Robert Half, Princess Beatrice House, Victoria Street, Windsor SL4 1EH. Telephone 01753 857777 (24 hour answering service), or fax details on 01753 841676.

As retained consultants, any CVs submitted directly to our client will be forwarded to Robert Half.

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FINANCE DIRECTOR

MEDIA SERVICES

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c£55,000 + Car + Benefits

Recognised as a market leader in the provision of a distinct range of advertising and media services, this organisation has consistently demonstrated an ability to provide high levels of creative and innovative support to clients across a range of business sectors.

The future growth and profitability of the company allied to further opportunities to increase its market share has led to the need to appoint a Finance Director who will play an important part in the implementation and execution of this strategy.

Key tasks of the appointment will be:-

- To provide a professional and effective finance and administrative function designed to clearly monitor, control and add value to all aspects of the business.
- Create and innovate ways in which finance can analyse and critique all business driven issues, with particular focus on client and market related activities.
- To become increasingly involved in commercial management and take direct responsibility for departments other than sales.

As a qualified Accountant, you will already have worked at a senior level within a commercially focused finance role, and be capable of working in an environment that is characterised by a competitive and clearly focused sales and marketing approach gained from within either a service or business to business sector.

*Interested candidates should write to **Charles Austin** or **Michael Herst** at Herst Austin Rowley, 30 St George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR800.*

HERST AUSTIN ROWLEY

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FINANCE DIRECTOR

SOUTH OF ENGLAND — TO £70,000 + BONUS + CAR

Our client is an ambitious and expanding £400m company, part of a quoted British PLC, with group revenues approaching £2 Billion. The company is a third party distribution business providing a high frequency and quality service to major retail, manufacturing and FMCG customers through four operating subsidiary divisions.

The development strategy and future expansion plans for the business requires the appointment of a Finance Director. Reporting to the Chief Executive and managing a small team, the appointee will ensure the provision of all financial management and systems for the control and development of the business. Strategic planning and group reporting to the highest standards are equally critical elements of the role.

Responsibility will encompass commercial and investment appraisal, auditing procedures, property acquisition, contact negotiation and financial presentation.

Candidates, preferably Chartered Accountants, must have around 10 years post qualification experience gained in a substantial service business, manufacturing, FMCG or retail sectors.

Key attributes must include commercial acumen and influencing skills with proven ability to negotiate, team work, challenge and build close and trusted working relationships at all levels.

The company and group offer an excellent career opportunity and stimulating management environment. The remuneration package is very competitive and will include a significant performance element in addition to basic salary and a range of senior level executive benefits.

Interested applicants should write, quoting Ref: JSA 06/101, enclosing career details to: Robert Walters Associates, 25 Bedford Street, London WC2E 9HP. Telephone 0171 379 3333.

ROBERT WALTERS ASSOCIATES

L O N D O N W I N D S O R B R U S S E L S A M S T E R D A M N E W Y O R K S Y D N E Y

EATON

EUROPEAN FINANCIAL CONTROLLER

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Eaton Corporation, with a turnover of c. $6 billion and more than 50,000 employees, is a global market leader in the field of advanced technology products for the vehicle components, capital goods, industrial and commercial markets - more than 80% of all products rank either No. 1 or No. 2 by sales in the markets they serve.

Owing to the continued success and expansion of the European operations, an exciting opportunity has arisen for a Divisional European Controller, within the Engine Components Division.

Based in Turin, you will assume overall responsibility for the divisional accounting function in Europe, reporting to the General Manager.

This high profile role encompasses:

- Preparation of the annual profit plan and 3 year strategic plan
- Business planning
- Managing the development of effective reporting systems in line with European and US GAAP requirements
- Divisional financial reporting (local reporting is carried out by plant controllers)
- Developing an ever-more integrated European business and encouraging a truly international perspective to emerge.

Applicants will be graduates with a recognised professional qualification (CPA/ACA/ACCA/ICMA) and 10+ years experience of international manufacturing environments. Business fluency in English is essential, and Italian and some knowledge of German and Spanish, although not essential, would be an asset. Familiar with both European and US GAAP, the successful applicant will possess an international perspective to match the profile of this role. Relocation mobility within Europe is essential and knowledge of Italian fiscal accounting is highly desirable.

Future prospects are outstanding, both regionally and globally, in an expanding international company. Relocation assistance will be provided where necessary. Remuneration will not be a barrier for the successful candidate.

If you can meet the requirements of this challenging role, please telephone or write to Jeremy Williams, quoting reference JW/EC.

All resumes submitted independently to Eaton will be forwarded to Lloyd Morgan.

LLOYD MORGAN financial and executive recruitment consultants — Africa House, 64-78 Kingsway, London WC2B 6AH Telephone : 44.171.404.5591 Fax: 44.171.430.2393

FINANCE DIRECTOR

Designate

Bucks/Berks — *to £40,000 + Car + Bens.*

Our client is a high profile division of a large and respected quoted UK PLC, which has built an enviable reputation for its entrepreneurial culture as well as its strong financial and commercial management. The Group, despite a tough market, has an impressive record of growth over the last decade, and has firmly established itself as a market leader and arguably the most successful performer in their particular sector of the housebuilding industry. With a strong balance sheet the company is poised for further significant growth.

Reporting to the Managing Director of this autonomous division and as a key member of its small management team, the Finance Director will be expected to play a major role in the commercial management of the business and for driving forward business performance together with improving overall operating efficiency. Bringing excellent technical and analytical skills to the business, the Finance Director will be responsible for the full finance function. This will include ensuring tight financial management, reporting and control, and additionally for the budgeting, planning, costing, and ad hoc projects.

Candidates must have a keen commercial awareness, and be able to positively influence business strategy. They must be qualified chartered accountants with strong leadership skills and are likely to be aged 33-40. Personal attributes will include confidence, possession of strong interpersonal and presentational skills, and a hands on management style.

Interested candidates should write enclosing a full CV with current salary details to; David Rush, Director Management Selection Consultants Ltd, 11-12 Hanover Square, London W1R 9HD. Tel: 0171-495 7711.

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FINANCE MANAGER

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HULL

c£35,000 plus Bonus up to 25% of salary, Fully Expensed Car, Non Contributory Pension/Healthcare, Relocation Assistance

Over the past decade Anglia Oils (current turnover £170m) has firmly established itself as one of the most successful and profitable companies in its market sector. They are a world leader in the fast growing speciality oils market as well as being one of Europe's leading producers of palm and commodity oils. As the largest operation within a publicly listed Danish multi-national, they enjoy a high level of autonomy and freedom in the running of the business and its ongoing strategic development. Ambitious plans exist for further expansion of existing markets and the development of new products, services and markets which will result in continued significant growth over the next decade.

As part of this planned programme of growth, they now seek to appoint a young, commercially orientated Chartered Accountant to join the company as number two within the finance function. Supporting the Financial Director, you will assume full responsibility for the control of the finance function including involvement in all areas of financial and management reporting, treasury/cash management, and group taxation. More importantly however, you will be required to develop relationships and work closely with senior management across all areas of the business, influencing and creating change and playing a key part in the further enhancement and development of Management Information Systems and controls to facilitate growth.

To be considered you will be a graduate Chartered Accountant aged under 35, commercially aware and with the ability to recognise the impact of financial management on the control and development of key business issues. You will ideally have already gained experience in a line role in a marketing led business, or alternatively, you may be an exceptional manager/senior manager in a major International accountancy firm. Irrespective, you must have strong personal presence, energy and flair and the ability and ambition to progress in your career.

Interested applicants should forward a detailed Curriculum Vitae to Julia Fleming including details of current salary package/day time telephone number to:- Stark Brooks Associates, 5th Floor, Yorkshire House, East Parade, Leeds, LS1 5SH telephone: 0113 242 8898.

This appointment is being handled exclusively by Stark Brooks Associates and only applications received through them will be considered.

STARK BROOKS ASSOCIATES

Financial Recruitment Consultants • Manchester • Leeds

FINANCIAL ANALYST

Exciting Pan-European Opportunity

WATFORD

to £40,000 + Car + Benefits

With operations in 40 countries spanning Europe, America and Asia this manufacturing group has established market leadership in its core business areas. They are pioneers in their field. The development of leading edge technologies combined with focused, innovative business practices has contributed to their dramatic organic and acquisitive growth.

This newly created, high profile role is of key importance and therefore reports directly to the Group Finance Director. The varied brief will focus on ad hoc assignments, including pan-European strategic reviews, costing and pricing studies, systems enhancement projects and other sharp end business issues. The successful candidate will therefore be:

- Qualified ACA / ACMA / ACCA with at least 4 years post qualified experience.
- Highly motivated, results oriented and pragmatic, with first class interpersonal skills.
- Relishing the prospect of a multi-cultural role with 25% international travel.
- Able to liaise at all levels and take a hands on approach.

This represents a unique opportunity to impact on the success of a world-leading multinational. Career prospects are exceptional both in the UK and group-wide.

Interested applicants should write in confidence, stating current remuneration, to **Robert Macmillan,** quoting reference number 2120, at Nicholson International (Search & Selection Consultants), Bracton House, 34-36 High Holborn, London WC1V 6AS. Alternatively fax your details on: **0171 404 8128** or call **0171 404 5501** for an initial discussion.

NICHOLSON INTERNATIONAL UK

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